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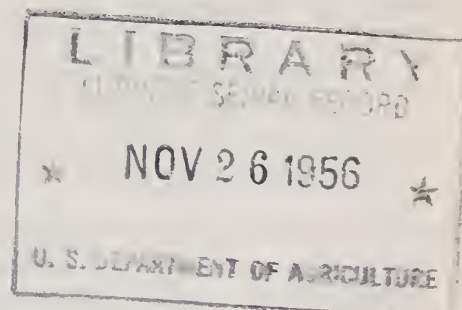
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1957 OUTLOOK ISSUE
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DEMAND and PRICE SITUATION

DPS-23



Approved by the Outlook and Situation Board, November 14, 1956

AGRICULTURAL SITUATION AND OUTLOOK FOR 1957

Demand for farm products is likely to be maintained at a high level in 1957. Population continues to grow steadily. Consumer incomes, now running about 5 percent above a year ago, are expected to rise further in the coming year. Expenditures for food will rise further as incomes increase. The trend toward more services and higher charges for marketing and processing in recent years has offset much of the effect of rising incomes on the demand for farm products. The foreign market took nearly a fifth more farm products in the 1955-56 marketing year and a record export volume is in prospect for 1956-57.

Supplies of farm products continue abundant. Large stocks, especially of cotton, wheat, feed grains and rice, were carried into the 1956-57 marketing year. The Commodity Credit Corporation total investment in inventory and in price support activities as of June 30, 1956, was 8.0 billion dollars, up 1 billion from a year previous. Further, farm output in 1956, part of which will be marketed in 1957, is estimated to be a record high. Crop output this year is about the same as last year, and production of livestock products is slightly larger. However, large export programs will probably reduce stocks of cotton, wheat, and rice this season. Stocks of corn, on the other hand, are likely to increase.

(Continued on page 3)

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1955		1956			
		Year	Oct.	July	Aug.	Sept.	Oct.
Industrial production <u>1/</u>							
Total.....	1947-49=100	139	143	136	142	144	
All manufactures.....	do.	141	145	137	143	146	
Durable goods.....	do.	155	161	147	159	163	
Nondurable goods.....	do.	126	129	127	128	129	
Minerals.....	do.	122	123	122	128	129	
Total outlay for new construc- tion <u>2/</u>	Million dollars	42,991	3,598	3,726	3,714	3,693	3,661
Residential.....	do.	16,595	1,375	1,302	1,289	1,277	1,227
Total civilian employment <u>3/</u>	Million	63.2	65.2	66.7	66.8	66.1	66.2
Nonagricultural.....	do.	56.5	57.3	59.0	59.5	58.7	59.0
Unemployment.....	do.	2.7	2.1	2.8	2.2	2.0	1.9
Income:							
Nonagricultural payments <u>2/4/</u> #...	Bil. dol.	290.9	296.9	309.4	312.8	313.4	
Production-worker payrolls <u>5/</u> #...	1947-49=100	152.5	161.1	151.0	161.1	164.2	
Weekly earnings of production- workers in manufacturing <u>5/</u>	Dollars	76.52	78.50	78.80	79.60	81.40	82.01
Durable.....	do.	83.21	85.07	84.04	85.47	88.18	89.01
Nondurable.....	do.	68.06	69.32	71.53	71.50	72.25	72.47
Prices:							
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	111	112	114	115	116	116
Commodities other than farm and food.....	do.	117	119	121	122	123	124
Farm.....	do.	90	87	90	89	90	88
Food, processed.....	do.	102	100	102	103	104	104
Prices received by farmers <u>6/</u> #...	1910-14=100	236	229	244	237	236	234
Crops.....	do.	237	222	258	236	234	232
Livestock and products.....	do.	236	235	232	238	238	236
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	280	287	288	287	287
Items used in living.....	do.	273	274	282	281	279	279
Items used in production.....	do.	249	246	248	250	252	250
Parity ratio.....		84	82	85	82	82	82
Consumer price index <u>5/</u>	1947-49=100	114	115	117	117	117	
Food.....	do.	111	111	115	113	113	
Government purchases of goods and services <u>2/ 7/</u> #.....	Billion dollars	76.8					
Federal (less Government sales):	do.	46.7					
State and local.....	do.	30.1					

Annual data for the years 1929, 1932 and 1939-55 appear on page 39 of the April 1956 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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In 1957, with the Soil Bank program in full operation, crop output will likely be smaller. Some 10 million acres diverted from winter wheat have been placed in the Acreage Reserve of the Soil Bank and possibly 3 million acres from spring wheat will go into the reserve. At average yields, the 1957 wheat crop might well be reduced more than 200 million bushels. Sizable acreages from corn and cotton, and some acreage from other basic crops also will likely be placed in the Acreage Reserve for 1957. Some 40-45 million acres, including a goal of about 20 million acres planned for the Conservation Reserve, could be placed in the Soil Bank program. This compares with about 355 to 360 million acres planted or grown in recent years. Thus, unless yields should be substantially higher than in 1956, marketings of crops presently in surplus will likely be smaller next year. Marketings of hogs are also likely to be smaller than in 1956 reflecting prospects for a reduction in fall farrowings. The downtrend in hog production probably will be halted by next fall and cattle slaughter is expected to continue large. The uptrend in production of dairy products, poultry and eggs will probably continue in 1957.

Since mid-year, prices received by farmers have averaged 2 percent above a year earlier. With prices paid by farmers also higher, the parity ratio has averaged much the same as a year earlier. In October and November this year market prices of major farm products averaged higher than in 1955. Most crop prices were higher, especially feed grains, some oil bearing crops, fruits and potatoes. Prices of livestock and livestock products averaged around year-earlier levels; higher prices of hogs and dairy products offset substantially lower prices for poultry and eggs.

Some improvement in the general level of farm product prices is likely in 1957, with prices of some of the basic commodities depending in part on price supports to be announced. However, the increase will likely be small reflecting the prospects for a continued heavy supply situation for most farm products. The minimum price support for the 1957 wheat crop has been announced at \$2.00 per bushel, the same as for 1956. Prices of hogs will average higher and cattle possibly slightly higher in 1957 than this year, reflecting smaller meat supplies especially in the first half of the year. However, with farm wage rates, interest and tax payments, and prices of industrial commodities continuing to increase, the parity ratio may continue around this year's level.

Farm income will likely show some further increase in 1957. Farm operators' realized net income in the first 9 months of this year has been at a rate some 4 percent higher than the 1955 average, the first upturn since 1951. While crop receipts next year may be reduced as a result of the impact of the Soil Bank on output of major crops, payments for participation in the program will operate to maintain farmers' incomes from these commodities. Cash receipts from livestock and livestock products could well show some increase, particularly from hogs and dairy products. Farm production expenses in total may not be much different next year from this. Cost increases stemming from higher wages and prices of industrial commodities will be about offset by smaller outlays reflecting acreage reductions under the Soil Bank program.

Exports of U. S. farm products in 1955-56 were up from a year earlier by 11 percent in value and, with lower export prices, by 17 percent in volume. Expanded surplus disposal programs, general prosperity abroad, and reduced foreign supplies of some commodities contributed to rising exports this year. More than 40 percent of agricultural exports were financed by Government programs in 1955-56 and the importance of these programs may increase in 1956-57. With prospects for cotton exports much more than double the 2.2 million bales exported in 1955-56, agricultural exports may exceed the record 4 billion dollars exported in 1951-52. With reduced prices such an increase would imply a substantial increase in the volume of products exported. Exports of wheat, rice and fats and oils will likely be high but takings of tobacco and feed grains may be somewhat smaller than in 1955-56.

The value of goods and services produced by the economy has risen so far this year. Increased outlays by business, consumers and the Government were partly offset by declines in home building and auto output. The record gross product of 414 billion dollars in the third quarter was 4 percent above a year earlier. Although part of this rise was due to higher price, employment and physical volume of output also increased and consumer incomes after taxes rose to a record rate, 5 percent above a year earlier. Prospective expansion in demands on the economy in 1957 point to a further rise in economic activity, employment, wage rates, and consumer incomes at least during the first half. Some further rise in wholesale and retail prices is likely. Economic conditions in the coming year, however, could depend to a considerable extent on international developments.

Greatly expanded capital outlays by business, not only for additional productive capacity, but for replacement and modernization of facilities contributed to the upsurge in economic activity in 1955 and 1956. Business plant and equipment expenditures estimated for this year total 23 percent above 1955. Capital outlays by manufacturers of durable-goods are up 42 percent and nondurables 25 percent. Railroad investment outlays are estimated 43 percent higher and mining 29 percent higher. Other groups are increasing capital outlays 10 to 15 percent above 1955. This uptrend in business investment is expected to continue into next year. But the rise will likely be less rapid than during the past year and capital expansion may well level off as new capacity comes into production. Further, construction and machinery costs have risen significantly in the past year. Money markets have been tight in 1956 and interest rates have risen. In the first half of 1956, corporations financed a larger portion of their capital outlays from external sources than in the same period of 1955.

Private construction activity was maintained near record levels in 1956 despite a slowdown in home building. In recent months new home starts have averaged about a 1-million-unit annual rate, a fifth below the same months of 1955. But higher costs and larger houses have resulted in a much smaller drop in expenditures. Factors underlying demand for housing, including new family formation at about 850,000 units a year, scrappage of old housing, and rising consumer incomes, continue favorable. Expenditures for all construction in 1957 are expected to exceed slightly the record levels in 1956.

Government spending for goods and services has risen gradually over the past year. According to the August Budget Review, the Federal budget for 1956-57 provides for a small further rise in spending. Much of the prospective increase in Government spending will show up at the State and local level, where demand for more roads, schools, and other facilities has caused annual increases of $2\frac{1}{2}$ to 3 billion dollars in recent years.

Consumer buying expanded during the past year even though auto sales were reduced sharply. Expenditures for food this year are running nearly 5 percent above a year earlier as consumers continue to use about a fourth of their income for food. With incomes up, consumers spent more and also increased their savings. Consumer installment debt has risen much less than a year earlier. Mortgage debt on houses rose substantially again this year.

Commodity Highlights

Livestock production will ease a little in 1957 from the record 1956 volume. Hog slaughter especially will be down and prices will be higher. Prices of beef cattle, sheep and lambs may also average slightly higher in 1957.

Cash receipts from sales of milk will rise to another new record in 1957. Prices will remain at present levels, allowing for seasonal variations, through at least March 1957, and production will be up slightly from 1956.

Production of eggs, broilers and turkeys in 1957 is likely to exceed the record levels being established in 1956. With the possible exception of broilers, prices for these commodities are likely to average a little lower in 1957 than in 1956.

Although supplies in 1956-57 will be somewhat larger than in 1955-56, prices of vegetable oils this fall and winter probably will average higher than a year earlier.

The big 1956 crop of corn is mainly responsible for an expected 10 percent rise in the feed grain carryover at the close of the 1956-57 season. However, with smaller crops and higher supports for oats, barley and sorghum, average feed grain prices are expected to remain above a year earlier through next spring.

Increased exports of wheat, together with continuation of acreage restrictions, are expected to reduce the carryover at the end of the 1956-57 marketing year. This will be the first reduction since 1951-52.

Despite the sharp increase in export demand for rice, supplies are still large enough to require proclamation of acreage allotments and marketing quotas for the 1957 crop.

Consumer demand for fruit will be at least as strong in 1957 as in 1956. With market supplies this fall generally lighter than a year earlier, grower prices probably will continue above last fall.

Most fresh vegetables will continue in more plentiful supply this fall than last. Prices may average slightly lower than a year earlier.

Substantially more potatoes are available for distribution this fall and winter than last. Early intentions reports indicate that Florida and California growers intend to plant one-third more acres this fall for winter harvest.

Supplies of dry field peas are much larger than last year's small supplies, but larger domestic consumption and exports will help maintain prices.

For the first time since 1950-51, disappearance of cotton in 1956-57 will exceed production. Exports are likely to much more than double the 2.2 million bales of 1955-56.

After declining 56 percent from 1946 to 1954, mill consumption of both apparel and carpet wool increased in 1955 and again in 1956. If business activity and consumer purchasing power continue to rise, some further increase in consumption is expected.

Despite prospects for increased consumption of cigarettes next year, demand for leaf tobacco may show little change; more complete use of tobacco leaves, and the smaller amount of tobacco in some filter tip brands are chiefly responsible.

Domestic production of naval stores is expected to increase slightly this year. Rosin prices are expected to stay close to present levels well into 1957, but turpentine prices are likely to rise before advent of the new gum crop next April.

Lumber consumption during 1956 is expected to be 5 percent below 1955, but about at the average of recent years. Pulpwood consumption--a record 45.5 million cords in 1956--continues to grow rapidly.

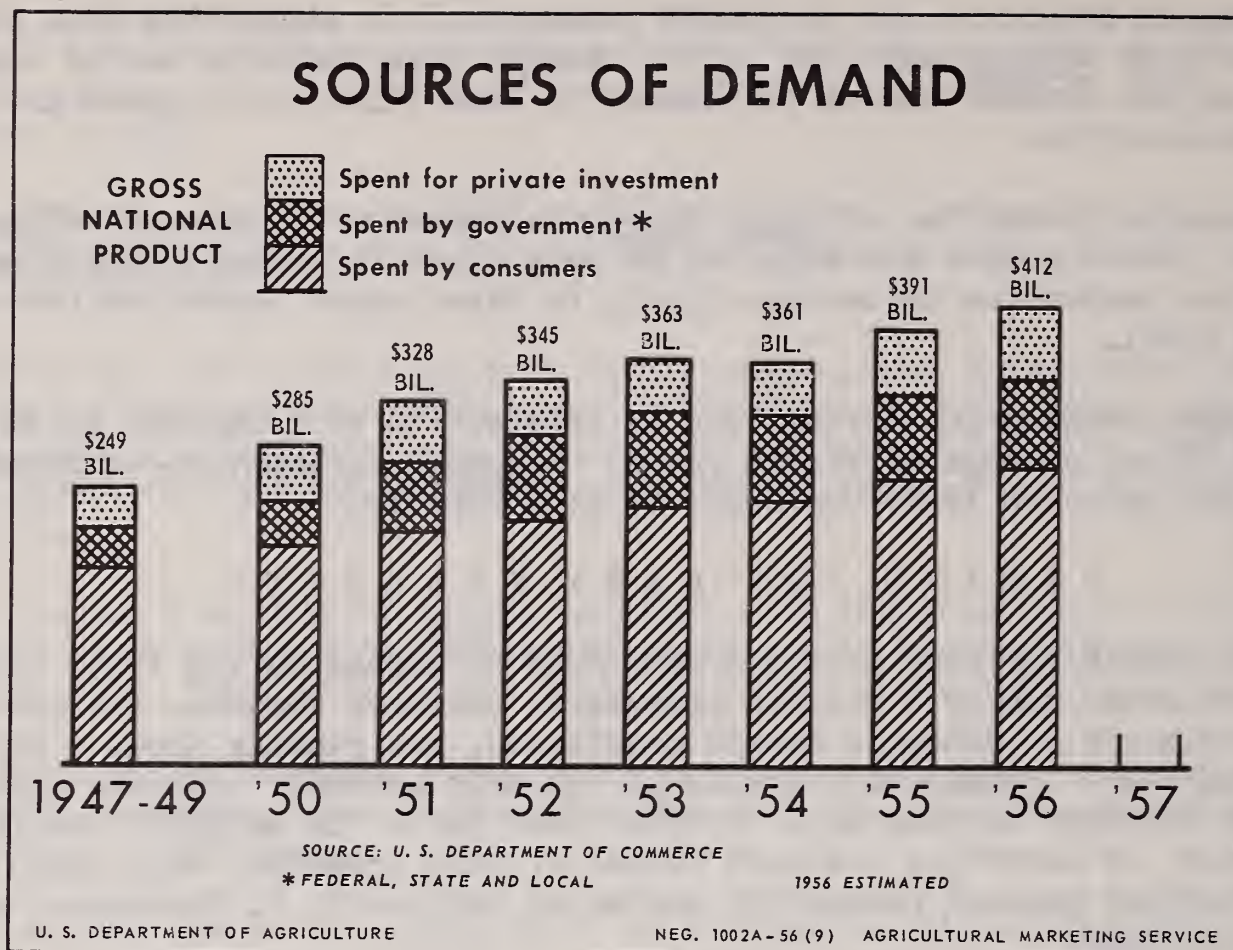
D E M A N D F O R F A R M P R O D U C T S

The market for farm products continued to expand during 1956. Population growth added nearly 3 million consumers; consumer incomes, the best general indicator of domestic demand conditions, are running about 5 percent above a year ago. Prospective trends in economic activity indicate that the uptrend in consumer incomes will continue into 1957. In addition the foreign market, which is absorbing a record volume of farm products, will again be large reflecting general prosperity abroad as well as U. S. Government surplus disposal programs.

MAJOR SOURCES OF DOMESTIC DEMAND

The strength of the domestic market for farm products depends principally on the flow of consumer income generated by business, Government and consumer spending for goods and services. In the third quarter of this year, the gross product or expenditure of the economy reached a record rate of 41 1/2 billion dollars, 17 billion, or 4 percent, over a year earlier. Thirteen billion dollars of this increase represented enlarged consumer demand for services and nondurable goods. Total investment demand expanded by nearly 3 billion dollars, of which about half was increased foreign investment. Smaller outlays for private homebuilding offset much of the gain in business demand for plant and equipment. Government spending accounted for a rise of almost 4 billion dollars.

The expansion in economic activity is slower this year than in 1955, when consumer expenditures, especially for new automobiles, made substantial gains. Consumer expenditures have risen less rapidly this year. Investment also has gone up less as the decline in residential building partly offset increased outlays for new plant and equipment.

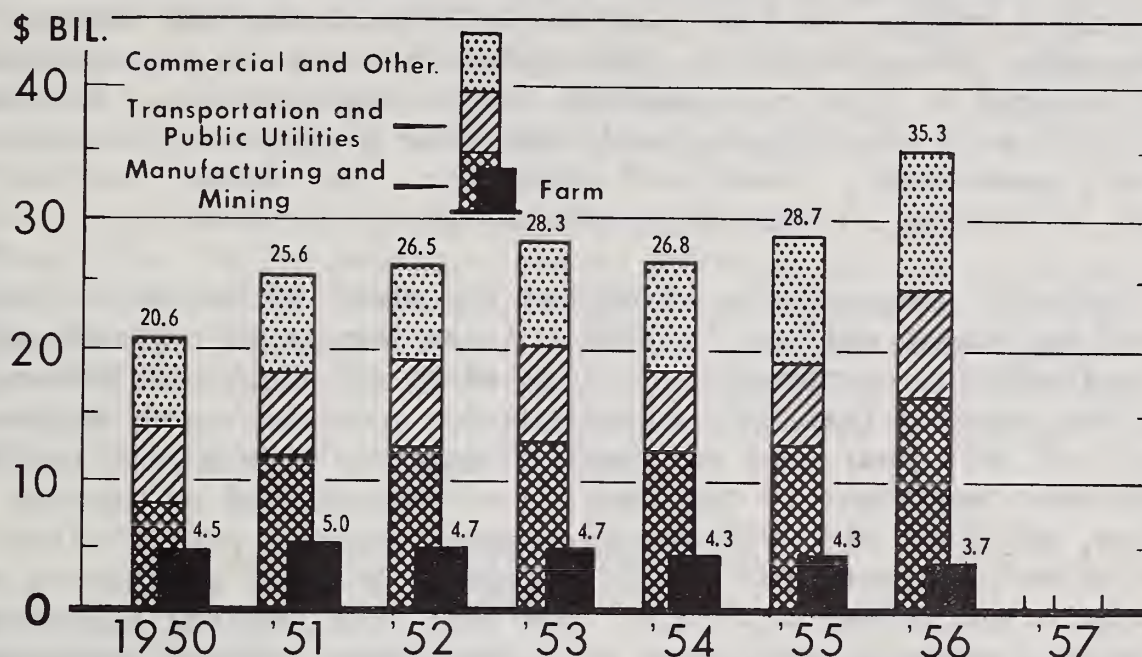


Economic activity and consumer incomes probably will rise further in the coming year. Reports on business plans for new investment indicate that the strong uptrend in such spending is continuing. Government purchases of goods and services also are scheduled to increase, especially outlays for roads, schools and other local Government facilities.

Private Investment Spending Continues to Rise

The upsurge in economic activity during 1955, bringing the economy close to maximum operating rates, stimulated capital expansion. This involved not only additional productive capacity but also in many industries heavy programs for replacement and modernization of existing facilities. Added incentive for expansion came from the generally held expectation that the market for industrial products would continue to grow. Finally, most firms were able to obtain the funds necessary to finance investment programs. Liquid assets arising from retained earnings and reserves for capital replacement were relatively large, and borrowed funds were readily available at moderate cost. As a result, business expenditures on plant and equipment increased sharply during 1955 and 1956. Outlays planned for October-December 1956 are reported to approximate 38 billion dollars, at a seasonally adjusted annual rate, for a gain of almost 50 percent in 2 years. Every major category of nonfarm business has stepped up its rate of investment. Compared with a year ago, the rate of capital expenditure scheduled for the fourth quarter is up 44 percent for durable goods manufacturing, 27 percent for nondurables,

CAPITAL EXPENDITURES BY BUSINESS AND AGRICULTURE



SOURCE: DATA ON BUSINESS PLANT AND EQUIPMENT EXPENDITURE FROM COMMERCE DEPARTMENT-SECURITIES
AND EXCHANGE COMMISSION, FARM CAPITAL EXPENDITURES FROM AMS. 1956 FIGURES PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 3579-56 (10) AGRICULTURAL MARKETING SERVICE

Table 1.- Investment expenditures, third quarter 1955 to
third quarter 1956, seasonally adjusted annual rates

Item	1955			1956		
	III	IV	I	II	III	
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.	
Gross private domestic invest- ment	62.3	65.1	63.1	64.7	65.1	
New construction	33.5	33.0	32.6	33.6	33.6	
Residential nonfarm	17.2	16.2	15.3	15.6	15.5	
Other	16.4	16.8	17.3	18.0	18.1	
Producers' durable equipment	25.0	25.9	26.4	27.5	29.5	
Change in business inventories	3.7	6.1	4.1	3.5	2.0	
Net foreign investment	.2	-.8	.1	1.2	1.7	

31 percent for railroads and 19 percent for mining and for public utilities. Smaller increases are reported for transportation industries other than railroads and for commercial and other firms. Farmers reduced their outlays for equipment and construction in 1956.

Plant and Equipment Outlays to Increase Further

Present indications are for a continued rise in plant and equipment outlays in 1957. However, the increase is expected to be less steep than that of the past 2 years. As the many new facilities started during the past several years come into production, some industries may find productive potential more closely in line with current output requirements. Substantial new capacity will soon be completed and come into production for such industries as steel, paperboard, cement and chemicals. But demand for the products of these industries is also expected to expand further.

Manufacturing corporations accounted for about 43 percent of all non-farm plant and equipment outlays in 1956. A new survey of capital appropriations of manufacturing corporations conducted by the National Industrial Conference Board reports that authorizations for new plant and equipment in the first half of this year were up about 40 percent from a year earlier. Possibly even more important is the backlog of uncommitted or unspent appropriations, which at mid-1956 was 63 percent above a year earlier. Backlogs were relatively largest for manufacturers of primary nonferrous metals, fabricated metals and rubber products. The fact that capital appropriations continue to exceed expenditures, even with the higher rate of spending during the past year, lends strong support to prospects for a continued uptrend in investment outlays.

Credit Conditions Remain Tight

A further consideration in evaluating 1957 investment prospects is the state of the market for borrowed funds. Business investment decisions depend in part on the availability of funds to finance capital outlays and on the terms on which such funds can be obtained, particularly funds from external sources. In the first half of 1956, about a third of corporate investment was financed from external sources compared with less than a fifth in the first half of 1955.

Throughout 1956, the money market has been relatively tight and interest rates have moved gradually upward. Demand for credit has been strong, while funds available to supply the enlarged demand have grown less rapidly. At the same time, Federal Reserve policy has aimed at limiting growth in bank reserves.

While the scarcity of mortgage money and higher interest rates may have contributed to the slackened rate of homebuilding over the past year, credit restraints thus far imposed have not halted the rise in business capital outlays, nor has there been any noticeable effect on corporate security offerings. In the first 7 months of this year, new money raised by sale of corporate securities was up 26 percent from the corresponding period of 1955. However, this rise might have been even greater if money had been more readily available.

Inventories Rising But More Slowly

Credit restraints also tend to discourage net additions to business inventories and may have helped to slow the rate of accumulation in recent months. Earlier this year inventories grew fairly rapidly reflecting expanded activity in many lines. Special circumstances gave rise to sizable accumulations of steel and autos. Durable-goods manufacturers' inventories increased most but sales and order backlogs also increased in these industries.

Since mid-year the rise has continued but only about a third as rapidly as the 600-million-dollar monthly rate of increase in the first half of the year. Accumulated stocks of steel and 1956 automobiles were worked down in the third quarter. Although inventories now are moderately above a year ago, the increase is only slightly more than the rise in sales. If the volume of trading expands as anticipated, some further addition to business inventories probably will be required in coming months.

Construction Activity at Record High

Despite a slowdown in homebuilding, total construction has continued high this year. Outlays for both private and public construction were at an all-time record in the third quarter of this year, after allowance for the usual seasonal influences. In the private sector, a 13 percent gain in non-residential outlays over a year earlier more than offset the drop in residential construction. Industrial building was up a third while outlays for office buildings and warehouses were up 23 percent and for public utilities up 14 percent. Expenditures for religious and educational construction also gained. Public construction rose 13 percent in the third quarter from a year earlier, primarily because of a 23 percent rise in the rate of highway construction. Smaller increases occurred in outlays for sewer and water facilities, public schools and universities, and public service enterprises.

Residential Building Below Last Year

The seasonally adjusted rate of private housing starts declined steadily throughout most of 1955 and 1956. In recent months the rate has averaged slightly over 1 million units, or a fifth below the corresponding period of 1955. Actual expenditures on homebuilding have shown a smaller decline, reflecting rising building costs and larger and more fully equipped homes. Larger sums also have been spent this year for additions and alterations to existing housing. As a result, private housing expenditures in the first three quarters of 1956 averaged only 9 percent below the corresponding period of 1955.

A 5-percent rise in construction costs from July 1955 to July of this year may have discouraged some homebuilding. Another factor is the relative scarcity of credit. The tight market for mortgages is evidenced by a general rise in interest rates—an average of about $\frac{1}{2}$ percent on conventional mortgage loans over the past-year as well as by the increased difficulty of obtaining mortgage loans under VA and FHA guarantee at the fixed rate of $4\frac{1}{2}$ percent.

In an attempt to ease the impact of tight credit on housing construction, the home-financing agencies of the Federal Government have acted recently to facilitate purchase of low-cost homes and to increase the supply of money for home building. The Federal Housing Administration on September 20 reduced the minimum downpayment on homes costing \$9,000 or less. At the same time the secondary market for mortgages was broadened by a relaxation in the terms under which the Federal National Mortgage Association could buy mortgages. Since this announcement was made, a sharp increase has occurred in the volume of mortgages sold to FNMA.

Construction Activity Likely to Continue Strong

Construction activity in total is expected to continue around the record pace of 1956. Outlays for industrial plant and public utilities probably will rise with expanding business investment; construction of commercial facilities is expected to continue high. Public construction will likely rise buoyed up by large outlays particularly for schools and other facilities including highways and sewer and water facilities.

The number of new homes built declined during 1956. New home construction in 1957 is not expected to differ much from the current rate. Factors underlying demand for housing, including new family formation at 850,000-900,000 units a year, scrappage of old housing, and rising consumer incomes, continue favorable. Construction costs are likely to average higher in 1957, and buyers are expected to demand still more in the way of size and equipment. However, with prospects for fewer starts in 1957, expenditures on housing may total somewhat below this year. The uptrend in outlays for additions and alterations to existing housing is expected to continue into 1957.

State and Local Spending Boosts Government Demand

Government purchases of goods and services advanced steadily over the past year, reaching a rate of 80.2 billion dollars in the third quarter. This was 5 percent more than a year earlier. Most of the increase occurred in outlays of State and local Governments, which account for about 40 percent of all Government spending. Increased employment and stepped-up expenditures for such facilities as schools, roads, and hospitals were particularly important factors in the rise. Federal purchases in total rose by 0.6 billion dollars from the third quarter of 1955 to the corresponding months of 1956, reflecting increased spending for national security.

The upward trend in total spending by Government is likely to continue in 1957. According to the August Budget Review, the Federal Government has planned an increase of almost 2.7 billion dollars in budget expenditures in fiscal year 1956-57. A large part of the scheduled rise will go for the Soil Bank program, interest on the public debt, and other transfer payments by the Federal Government. These programs do not represent direct purchases of goods and services. However, larger outlays for defense materials will contribute to a rise in Government demand.

State and local purchases of goods and services increased 3.2 billion dollars from the third quarter of 1955 to the corresponding months of 1956. This upward trend is expected to continue into 1957. There is still a substantial backlog of schools, sewer and water installations and other public facilities to be constructed by State and local Governments. Added outlays are expected also from the approximately 1.1 billion dollars in highway funds to be apportioned to States in fiscal 1956-57 under the Federal Aid Highway Act of 1956. These factors, along with a probable further rise in employment and payrolls, suggest a continued uptrend in outlays by State and local Governments for goods and services in 1957.

Table 3.- Government expenditures for goods and services
1949 to 1956, seasonally adjusted annual rates

Year	Government purchases of goods and services				
	Total	Federal			State and local
		Total	National security	Other	
	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>	Bil. <u>dol.</u>
1949	43.6	25.4	19.3	6.6	18.2
1950	42.0	22.1	18.5	3.9	19.9
1951	62.8	41.0	37.3	4.2	21.8
1952	77.5	54.3	48.8	5.8	23.2
1953	84.4	59.5	51.5	8.4	24.9
1954	76.5	48.9	43.0	6.3	27.6
1955	76.8	46.7	41.2	5.9	30.1
1956 <u>1/</u>	79.1	46.6	41.0	5.6	32.6

1/ First three quarters.

Consumer Spending Rises in 1956
But Sales of Durable Goods Lag

Between the third quarter of 1955 and the corresponding period of this year, growth in economic activity raised total income payments about 5 1/2 percent. In response to larger incomes, consumers stepped up their rate

of spending by about $3\frac{1}{2}$ percent over the year, as a slightly larger rise in outlays for nondurables and services offset a decline in durable goods. Part of the increase represented higher prices. Total spending for consumer goods reached an annual rate of 267 billion dollars in July-September 1956. While personal tax payments accounted for a larger part of total consumer income than a year earlier, consumers were able to increase their annual rate of saving from 15.9 billion dollars in the third quarter of last year to 21.4 billion a year later.

Consumer Income
Continues Upward Trend

Personal income advanced steadily during the first 9 months of 1956, except for a slight dip in July associated with the steel shutdown. In September, the before-tax income of consumers was at a record seasonally adjusted annual rate of 328.5 billion dollars. This compared with 311 billion a year earlier. Nearly three-fourths of the gain was in wages and salaries and was attributable to a steady rise in employment and in wage rates. Total employment was up more than a million or about 2 percent over the year, while hourly earnings in manufacturing advanced 5 percent to a September average of \$2.00. The length of the workweek declined slightly, to 40.5 hours in September, compared with an average of 40.9 a year earlier.

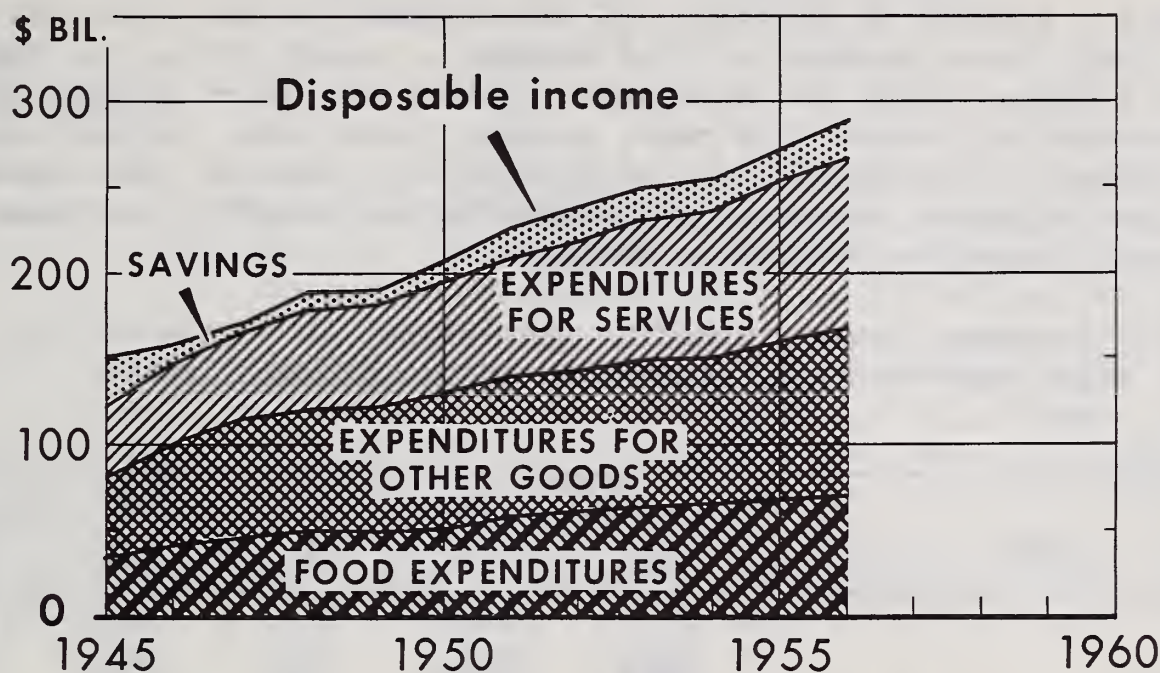
Consumers' disposable income-the amount left after income and other personal taxes-averaged 288.3 billion dollars in the third quarter of 1956, 5 percent above a year earlier. In per capita terms, disposable income rose $3\frac{1}{2}$ percent during this period.

Consumer Credit at Record Level,
But Rate of Increase Slows

Consumers continued to rely heavily on credit buying in the past year. Recently revised estimates by the Federal Reserve Board place total consumer debt at a record 41.1 billion dollars in September, or about 14 percent of disposable income. A year earlier the amount was 36.2 billion or 13 percent of disposable income. Most of this debt-more than 30 billion-is in the form of instalment loans, principally on automobiles. Noninstalment debt, largely single payment loans and charge accounts, totaled 9.4 billion dollars in September.

While the trend of consumer credit outstanding has been steadily upward, the rate of increase has slowed considerably in recent months. Since June, the increase has averaged 0.3 billion dollars a month. In the same period last year, the monthly rise averaged more than twice as much. The slower expansion in credit outstanding has come about from a rise in the rate of repayments on the large volume of instalment debt taken on last year, while new advances of credit leveled off this year with reduced auto sales. As a result, the gap between repayments and new instalment credit extended has narrowed appreciably.

INCOME AND EXPENDITURE

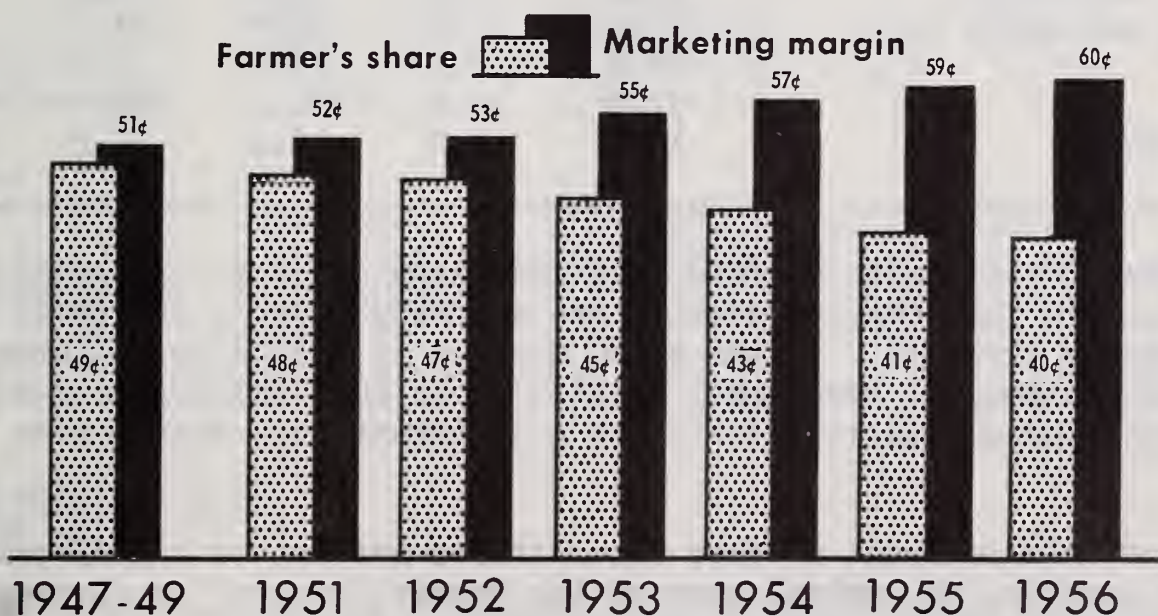


SOURCE: U. S. DEPARTMENT OF COMMERCE 1956 ESTIMATED
DATA ARE FOR PERSONAL INCOMES AND EXPENDITURE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 1003-56 (10) AGRICULTURAL MARKETING SERVICE

FARM AND MARKETING SHARES OF CONSUMER'S FOOD DOLLAR*



*DATA FOR MARKET BASKET OF FARM FOODS BASED ON AVERAGE 1952 PURCHASES BY URBAN FAMILIES
DATA FOR 1956 PRELIMINARY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 1861-56 (10) AGRICULTURAL MARKETING SERVICE

Construction Spending
At Record Rate

Despite a cutback in purchases of new automobiles and other durable goods, the first three quarters of 1956 brought a steady growth in total spending for consumer goods and services. Between the third quarter of 1955 and the corresponding period this year, durable goods sales dropped more than 4 billion dollars, to an annual rate of 33 billion. But the loss was more than offset by increased purchases of nondurable goods and of services, each of which rose by more than 6 billion dollars.

Table 4.- Consumer income, spending and saving, third quarter 1955 to third quarter 1956, seasonally adjusted annual rates

Item	1955			1956		
	III	IV	I	II	III	
	Bil.	Bil.	Bil.	Bil.	Bil.	
	dol.	dol.	dol.	dol.	dol.	
Personal disposable income	273.8	278.4	280.2	284.9	288.3	
Consumer expenditures for goods						
goods and services	257.8	259.5	261.7	263.7	266.8	
Durable goods	37.2	35.4	34.8	33.4	33.0	
Automobiles and parts	18.5	16.5	15.5	13.8	n.a.	
Furniture and household equipment	14.5	14.5	14.9	15.2	n.a.	
Nondurable goods	127.6	129.2	130.5	132.3	134.0	
Food and beverages	77.2	77.8	78.8	79.5	n.a.	
Clothing and shoes	20.8	21.3	20.8	21.5	n.a.	
Other	29.7	30.1	30.9	31.3	n.a.	
Services	92.9	94.9	96.4	98.0	99.7	
Personal saving	15.9	18.8	18.6	21.2	21.4	

Consumer expenditures on food have increased about in proportion to the rise in income, so that consumers still are spending about a fourth of their disposable income for food. In the third quarter of 1956, expenditures for food (including alcoholic beverages) totaled about 80.5 billion dollars on a seasonally adjusted annual rate basis, or 4.3 percent more than a year earlier.

Part of this increase in food expenditures was due to higher prices. In the third quarter, the retail cost of the "market basket" of farm-produced food products was 2 percent higher than in the same period of 1955. About two-thirds of the advance in prices was accounted for by higher prices received by farmers, one-third by higher marketing charges. With a relatively

greater increase in farm prices than in marketing charges, the farmers' share of the consumers' food dollar rose from the low of last fall, but for the year as a whole may be down a little from the 1955 average.

Retail Trade

Expanding Slowly

Retail sales have also reflected the gradual advance in consumer income over the past year. In the quarter ending in September, retail sales were at a monthly rate of 16.1 billion dollars, or 3 percent more than a year earlier. (table 5) Nondurable goods sold in substantially larger volume than in July-September 1955, with particularly large gains in sales by apparel stores, gasoline service stations and drug and proprietary stores. Gains were smaller for food and general merchandise. Sales of durable goods, however, lagged behind a year earlier. Expenditures for new automobiles were particularly low compared with their record-breaking pace of the summer of 1955. Purchases of lumber, building materials and hardware were down slightly from the third quarter of last year, while sales by furniture and appliance stores showed a 6 percent gain.

Table 5.- Retail sales and inventories, third quarter 1955 to third quarter 1956, monthly average, seasonally adjusted

Item	Unit	1955		1956		
		III	IV	I	II	III
Durable:						
Sales	Mil. dol.	5,748	5,710	5,425	5,400	5,452
Inventories	Mil. dol.	10,803	10,983	11,353	10,960	10,460
Stock-sales ratio	Ratio	1.88	1.92	2.09	2.03	1.92
Nondurable:						
Sales	Mil. dol.	9,915	10,083	10,156	10,411	10,636
Inventories	Mil. dol.	12,513	12,610	12,683	12,910	13,200
Stock-sales ratio	Ratio	1.26	1.25	1.25	1.24	1.24

Retail Inventories Rise Less Than Sales

In comparison with the 3 percent rise in retail sales between the third quarter of 1955 and the corresponding period of 1956, inventories of retail stores grew by only 2 percent. Retailers of nondurable goods added about 5½ percent to the book value of their inventories over the year compared

with a 7 percent rise in nondurable sales. Stocks of durable goods in retailers' hands averaged a little lower in the third quarter of 1956 than a year earlier, along with a reduced volume of business. The abnormally large inventories of passenger cars in dealers' hands during the past spring and early summer were worked down late in the summer, so that automobile inventories at the end of October were about one-fifth below a year earlier.

As a result of the parallel movements in retail sales and inventories, stock-sales ratios have shown little change from a year ago. The overall ratio of retail inventories to sales, at about 1.5 in the third quarter, was fractionally lower than a year earlier, and lower than at almost any other time in the past 5 years. Inventories of durable goods were a little larger, in relation to sales, than a year earlier, while those of nondurables were slightly smaller.

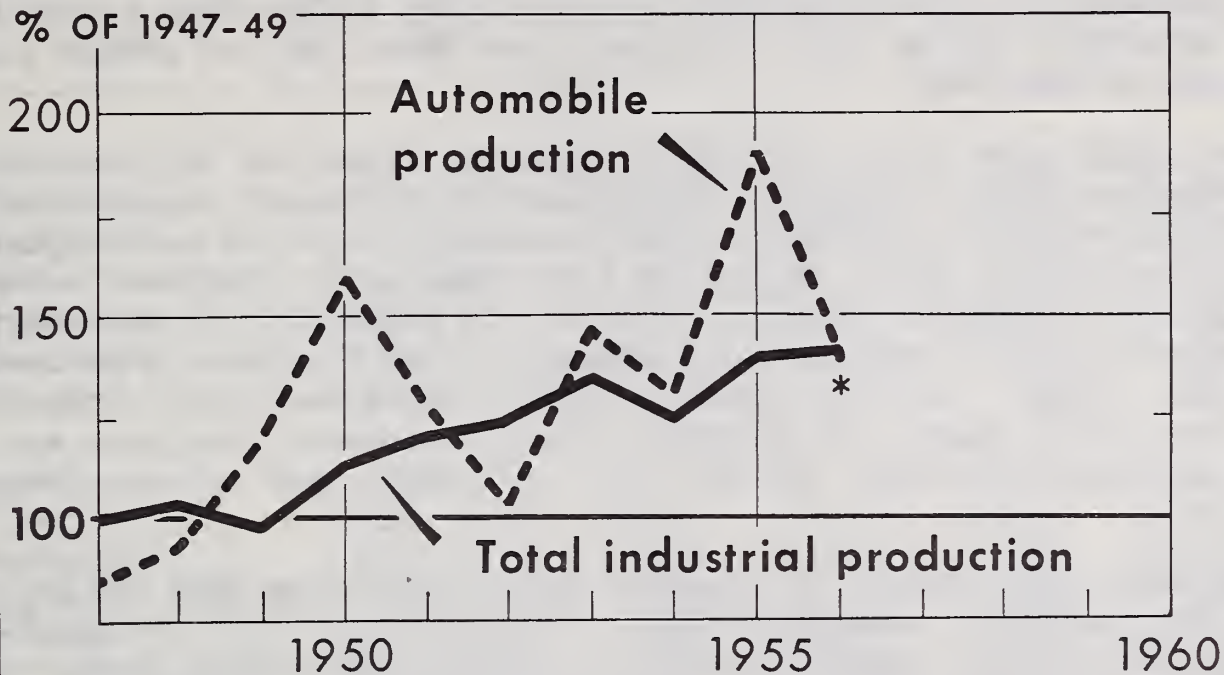
Output and Employment

The economy entered the last quarter of 1956 at sharply advanced new highs with output of the nation's mines and factories at rates equal to the peak levels of last fall. After slackening somewhat during the spring and summer, industrial production accelerated rapidly in the past few months and in September the Federal Reserve Board's index of industrial production was

Table 6.- Index of industrial production by major industrial groups, September 1954, 1955 and 1956 with percentage change

(1947-49=100)					
Group	: Sept. : : 1954	: Sept. : : 1955	: Sept. : : 1956	: Per- : : centage : : change : : 1954-55	: Per- : : centage : : change : : 1955-56
Industrial production	: 124	: 142	: 144	: 14.5	: 1.4
Total manufactures	: 126	: 144	: 146	: 14.3	: 1.4
Durable manufactures	: 137	: 160	: 163	: 16.8	: 1.9
Primary metals	: 105	: 146	: 151	: 39.0	: 3.4
Metal fabricating	: 149	: 170	: 174	: 14.1	: 2.4
Clay, glass and lumber	: 124	: 141	: 143	: 13.7	: 1.4
Furniture and miscellaneous	: 123	: 137	: 137	: 11.4	: 0
Nondurable manufactures	: 115	: 128	: 129	: 11.3	: .8
Textiles and apparel	: 98	: 111	: 108	: 13.3	: -2.7
Rubber and leather products	: 103	: 121	: 118	: 17.5	: -2.5
Paper and printing	: 127	: 140	: 145	: 10.2	: 3.6
Chemicals and petroleum products	: 144	: 163	: 167	: 13.2	: 2.5
Food, beverages and tobacco	: 105	: 107	: 109	: 1.9	: 1.9
Minerals	: 108	: 123	: 129	: 13.9	: 4.9

INDUSTRIAL PRODUCTION AND AUTOMOBILE OUTPUT



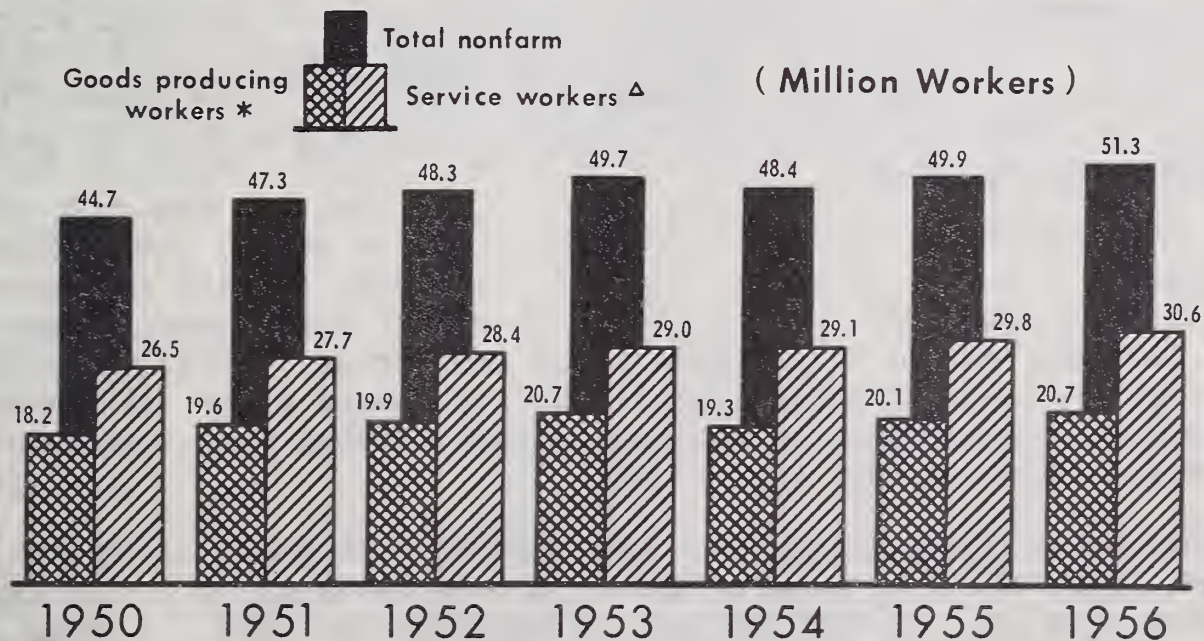
SOURCE: FEDERAL RESERVE BOARD

* AV. FOR FIRST 8 MO.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 3581-56 (10) AGRICULTURAL MARKETING SERVICE

NONFARM EMPLOYMENT



SOURCE: BLS

1956 ESTIMATED

* MANUFACTURING, MINING AND CONSTRUCTION

Δ TRANSPORTATION, PUBLIC UTILITIES, TRADE, FINANCE, SERVICE, AND GOVERNMENT

U. S. DEPARTMENT OF AGRICULTURE

NEG. 3618-56 (10) AGRICULTURAL MARKETING SERVICE

back up to last December's all-time peak of 144 (1947-49=100). Most of the recent upsurge has been in durable goods manufacturing industries, particularly investment goods. Automobile output is well below the high rates of last fall, but production of other consumer durables has been moving upward rapidly since summer and in September was 3 percent higher than a year ago. Output of nondurable goods and of minerals have been high and stable since the beginning of the year.

Steel mills have been operating at capacity since the settlement of the steel strike last July. Expanding production of 1957 model automobiles, together with widespread plans for capital investment, insures near-capacity steel output well into 1957. Output of fabricated metal products in September was down about 4 percent from a year earlier but production of machinery, both for replacement and for capital plant expansion, has increased 9 percent over the past year. Stone, clay and glass products output has risen about 3 percent from last fall, paper and printing around 4 percent, chemicals and petroleum products 2 percent, and the food, beverages, and tobacco group, 2 percent.

Along with automobiles, a few other major industries have failed to keep pace with the growth in overall activity. Production of textiles and clothing declined 3 percent since last September and rubber and leather goods output, $2\frac{1}{2}$ percent. Furniture production is at the same level as a year ago.

Manufacturers Sales Orders and Inventories

Factory sales in September rose to 27.7 billion dollars, after adjustment for seasonal changes--up 0.1 billion dollars over the month and 0.5 billion from a year earlier. Manufacturers' sales have reflected the pattern of industrial production--stability during the early part of the year with a sharp uptrend in recent months. Manufacturers' new orders, at 28.2 billion dollars in September, were about the same as a year ago. The August figure was 29.1 billion. The decline during September marked a cutback in new orders for transportation equipment.

With manufacturers' new orders running ahead of sales, the backlog of unfilled orders continues to grow. The unfilled order backlog in September, at 62.3 billion dollars, was 9.3 billion higher than September of last year. All of the increase was in the durable goods industries. Unfilled orders for durable goods have been trending almost steadily upward since the recovery from the 1954 recession began in the latter part of that year. However, they are still well below the high 1953 levels.

Manufacturers' inventories have been rising each month since May 1955. In September, book value of manufacturers' stocks stood at 50.1 billion dollars compared with 44.7 billion dollars in September of 1955. A large part of the increase over the past few months represents a rise in replacement costs rather than changes in physical stocks. The largest relative gains this year have been in those industries which have experienced the greatest gains in sales--producers of machinery, particularly electrical machinery, aircraft and petroleum.

Table 7.- Manufacturers' sales, inventories and production, third quarter 1955 to third quarter 1956, seasonally adjusted

Item	Unit	1955		1956		
		III	IV	I	II	III
Durable:						
Deliveries <u>1/</u>	Mil. dol.	13,647	13,557	13,494	13,708	13,341
Inventories	Mil. dol.	24,838	26,009	27,010	28,007	28,353
Stock-sales ratio	Ratio	1.82	1.92	2.00	2.04	2.13
New orders	Mil. dol.	14,551	14,793	14,042	14,330	14,352
Order backlogs <u>2/</u>	Mil. dol.	48,444	50,843	53,823	54,960	58,724
Production	:1947-49=100:	158	161	158	158	156
Nondurable:						
Deliveries <u>1/</u>	Mil. dol.	13,415	13,533	13,620	13,858	13,819
Inventories	Mil. dol.	19,481	19,641	19,866	20,528	21,266
Stock-sales ratio	Ratio	1.45	1.45	1.46	1.48	1.54
New orders	Mil. dol.	13,470	13,566	13,495	13,816	13,743
Order backlogs <u>2/</u>	Mil. dol.	3,403	3,358	3,162	2,883	2,759
Production	:1947-49=100:	126	130	129	128	128

1/ Monthly rate.2/ Unadjusted.

Stock-sales ratios, both of durable and nondurable goods are now only slightly higher than a year ago when ratios of manufacturers' inventories to sales were unusually low compared with other postwar years. The current volume of manufacturers' sales and plans for increased investment in business plant and equipment suggest that manufacturers' inventories may continue to rise for the next few months at least, without becoming dangerously out of line relative to sales.

Employment a Record For October

The number of Americans holding jobs in October was reported at 66.2 million, 100,000 higher than in September but below the seasonal peaks of the past summer. The all-time record was set in August when there were 66.8 million persons at work. The October figure was the highest ever recorded for that month and was more than a million above October 1955. Employment so far in 1956 has also averaged about 2 million above the first 10 months of 1955.

The number of unemployed fell to 1.9 million in October. This was the lowest since November 1953 when the number of jobless totaled 1.7 million. The number unemployed last month was equal to 2.8 percent of the labor force (all those working or seeking work) compared with 3.2 percent last October, which also was the average rate for all of 1955.

Steady Upward Drift
in Commodity Prices

Wholesale and retail prices have moved upward during 1956 after 3 years of stability. As economic activity expanded and operating rates approached capacity in a number of major industries, upward pressures on prices have become persistent. The index of wholesale prices for all commodities in October was 115.5 percent of the 1947-49 average, 3.5 percent higher than a year earlier. Virtually all of this rise has taken place since the first of this year. The recovery of farm product prices from the lows of last year has

Table 8.- Indexes of wholesale and consumer prices, by groups,
annually 1949-1955 and monthly January 1956 to date

(1947-49=100)									
Year and month	Wholesale prices				Consumer prices				
	All	Farm	Processed	All	All	Food	Rent	Apparel	
	commodi- ties		food	other	items				
1949	99.2	92.8	95.7	101.3	101.8	100.0	105.0	99.4	
1950	103.1	97.5	99.8	105.0	102.8	101.2	108.8	98.1	
1951	114.8	113.4	111.4	115.9	111.0	112.6	113.1	106.9	
1952	111.6	107.0	108.8	113.2	113.5	114.6	117.9	105.8	
1953	110.1	97.0	104.6	114.0	114.4	112.8	124.1	104.8	
1954	110.3	95.6	105.3	114.5	114.8	112.6	128.5	104.3	
1955	110.7	89.6	101.7	117.0	114.5	110.9	130.3	103.7	
1956									
Jan.	111.9	84.1	98.3	120.4	114.6	109.2	131.4	104.1	
Feb.	112.4	86.0	99.0	120.6	114.6	108.8	131.5	104.6	
Mar.	112.8	86.6	99.2	121.0	114.7	109.0	131.6	104.8	
Apr.	113.6	88.0	100.4	121.6	114.9	109.6	131.7	104.8	
May	114.4	90.9	102.4	121.7	115.4	111.0	132.2	104.8	
June	114.2	91.2	102.3	121.5	116.2	113.2	132.5	104.8	
July	114.0	90.0	102.2	121.4	117.0	114.8	133.2	105.3	
Aug.	114.7	89.1	102.6	122.5	116.8	113.1	133.2	105.5	
Sept.	115.5	90.2	104.0	122.9	117.1	113.1	133.4	106.5	

also contributed substantially to the general increase. Among the major groups, the sharpest price rises since the beginning of 1956 have come in meats--up 24 percent, farm products--up 7 percent, processed foods--up 6 percent, and the machinery and metals groups--each up 4 percent. Small declines were registered for the textile and apparel groups and for rubber products.

Consumer prices have been moving upward at a slower pace than wholesale prices. The consumer price index in September was 117.1 percent of the 1947-49 average, 2 percent above September a year ago. All of this increase has occurred since the start of this year. Nearly all groups of commodities have shared in the advance. The cost of medical care and personal care have shown the largest increases--up $4\frac{1}{2}$ and 3 percent respectively. Other items in the cost of living have all shown increases of from $1\frac{1}{2}$ to $2\frac{1}{2}$ percent since a year ago. Some further rise is likely in 1957.

FOREIGN DEMAND

The year 1955-56 witnessed a continued improvement in the international financial position of foreign countries, with economic activity and foreign trade reaching new record levels.

For the United States, the rise in foreign trade greatly exceeded the rise in national income and output. During 1955-56 merchandise exports at 15.6 billion dollars were 2 billion dollars or 15 percent above the previous year. Merchandise imports, at 12.3 billion dollars were 1.7 billion or 16 percent above 1954-55 (table 9). Thus, exports rose .3 billion more than imports.

Despite this rising deficit in their merchandise trade, foreign countries achieved an overall surplus in their total transactions with the United States of 1.7 billion dollars--about the same as last year. This surplus was used to increase their holdings of gold and short-term dollar assets by 1.3 billion dollars. In addition foreigners increased their long-term investments in the United States by nearly 450 million dollars.

The growth in foreign assests over the past year has come about through four important types of non-merchandise transactions with the United States. First, Americans are spending increasing amounts for foreign travel, transportation and other services, and the rate of return on foreign funds invested in the United States has been rising. Second, United States military expenditures abroad have increased. Third, United States economic aid grants and loans--remains substantial. Approximately two-fifths of the economic aid extended in 1955-56 represents shipments of farm products, in part as grants (relief shipments and donations) and in part as loans and credits extended in connection with sales for foreign currencies. Fourth, the movement of private U. S. capital abroad--direct investments and the purchase of foreign securities--has been expanding.

Table 9.- Foreign transactions with the United States,
fiscal years 1954-55 and 1955-56 1/

Item	Fiscal year 1954-55	Fiscal year 1955-56
	Billion dollars	Billion dollars
Expenditures for U. S. goods	13.5	15.6
Other dollar expenditures <u>2/</u>	5.7	6.2
Total payments to the U. S.	19.2	21.8
Receipts from the U. S.:		
Payment for merchandise	10.6	12.3
U. S. military expenditures abroad	2.7	2.9
Payment for services	3.3	3.9
U. S. economic aid (grants and loans)	2.2	2.1
U. S. private capital outflow	1.4	1.7
Total, including other <u>3/</u>	20.9	23.5
Excess of foreign receipts over payments	1.7	1.7
Added to gold and dollar holdings	1.1	1.3
Used for investments in the U. S.	.6	.4

1/ Excludes military aid grants and goods and services financed there-with. Trade data adjusted for balance of payments purposes.

2/ Includes U. S. exports of services, errors and omissions.

3/ Includes private remittances and government pensions and other transfers.

U. S. Department of Commerce, Office of Business Economics.

The additions to foreign gold and dollar holdings from transactions with the United States accounted for two-thirds of the total rise in foreign reserves during the year ending June 30, 1956 (table 10). The other third--over 600 million dollars--represented the movement of newly mined gold into the central reserves; the magnitude of this movement reflected in part confidence in the foreign economies. With the exception of the Sterling Area, there has been a general increase in foreign reserves since June 1955. During the first half of 1956, however, the Sterling Area halted the decline in its reserve position and Continental Western Europe's assets increased at a slower rate, while the independent countries of Asia and Africa lost some of their previous gains.

Table 10.--Estimated foreign gold and dollar holdings
June 30, 1956

Area <u>1</u> /	Holdings June 30, 1956	Change from	
		Dec. 31, 1955	June 30, 1955
	Million dollars	Million dollars	Million dollars
Canada	2,394	221	13
Continental Western Europe	13,670	430	1,463
Sterling Area	3,965	273	-250
Latin American Republics	3,953	164	246
Other foreign countries	3,080	134	394
Total foreign countries	27,062	1,222	1,866
International institutions	3,750	61	151
Total above	30,812	1,283	2,017

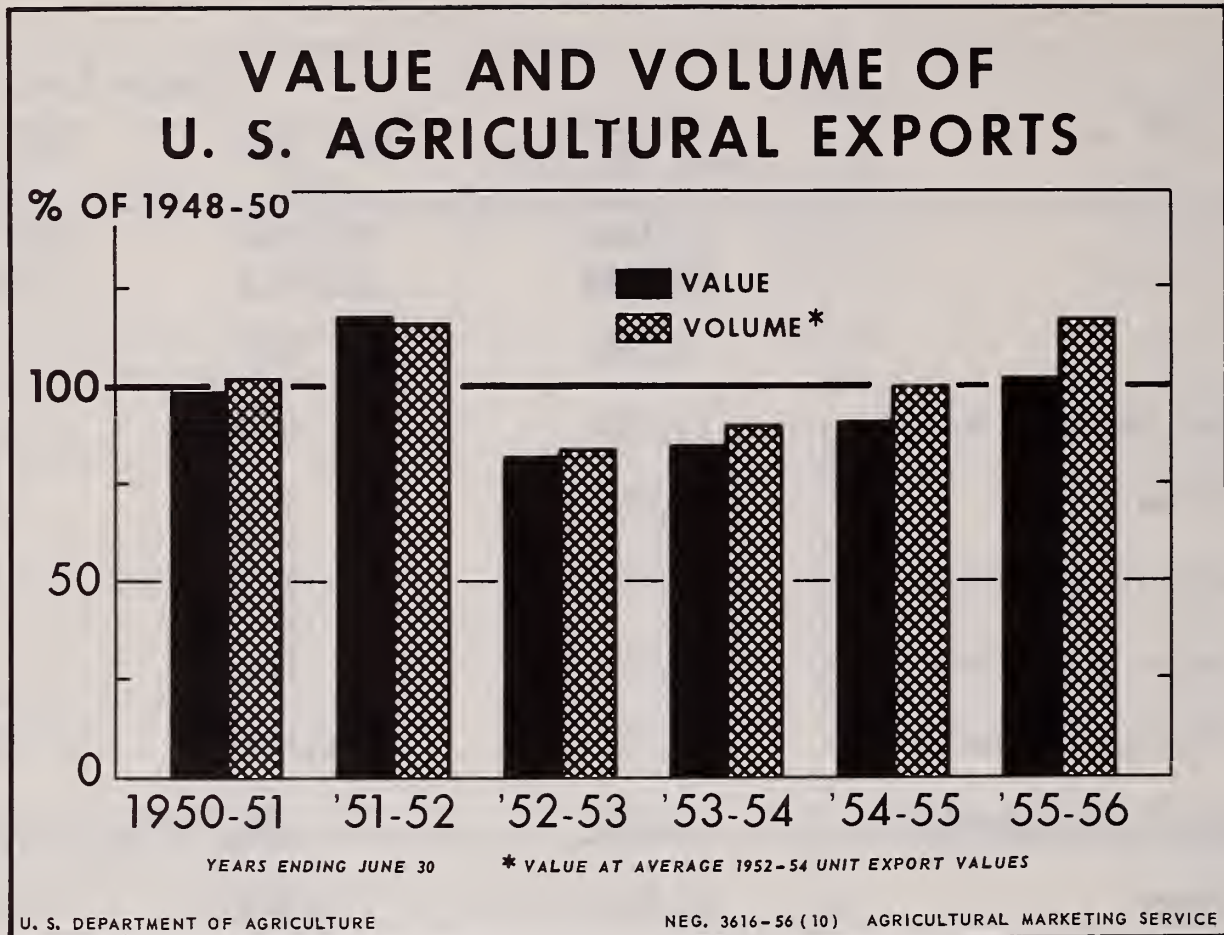
1/ Excluding Soviet Bloc.

Federal Reserve Bulletin, September 1956.

U. S. Farm Exports

The value of United States agricultural exports rose from 3.1 billion dollars in 1954-55 to 3.5 billion in 1955-56. With the exception of cotton--for which foreign demand was adversely affected by expectations of price declines--foreign takings of all major export commodities increased. General prosperity abroad, reduced foreign supplies of some commodities, and increased non-dollar shipments under government export programs, all contributed to the rise in United States farm exports. With the general easing of export prices in the face of mounting surpluses, the 11 percent rise in the value of United States farm exports reflected a 17 percent rise in export volume.

Approximately 280 million of total agricultural exports of 3,493 million dollars in 1955-56, represented grants and donations, 775 million was the export value of foreign currency sales, and 300 million dollars worth was exchanged for foreign produced materials. Altogether, exports facilitated by Government programs and financing were equal to 41 percent of



total agricultural exports (table 11). The value of Government financed exports in 1955-56 was more than 500 million dollars higher than during the previous year, and thus exceeded the overall rise in farm exports of 350 million dollars. This is not to say that all dollar exports declined; excluding cotton, dollar exports rose 170 million dollars or nearly 10 percent with substantial increases for such items as tobacco, tallow, soybeans, feeds and fruits. Nevertheless, in terms of both quantity and value, over 70 percent of the wheat, corn, cotton, butter and cheese moved under Government export programs, and over half of all exports of rice, barley, oats, sorghums, edible vegetable oils and milk. In addition, the dollar sales of wheat had the assistance of subsidies paid under the International Wheat Agreement or the special Wheat Export Program, while the bulk of the dollar exports of dairy products were sales at reduced prices for relief, school lunch programs or other special purposes.

Table 11.- U. S. agricultural exports by type of financing, 1954-55 and estimated 1955-56

	Non-dollar exports			Dollar exports			Total exports		
	Grants and loans : Million dollars	Foreign currency : Million dollars	Barter : Million dollars	Loans : Million dollars	Other : Million dollars	Value : Million dollars	Government financed : 2/		Percent
Bread grains									
1954-55	70	156	98	10	164	498		67	
1955-56	42	267	120	--	170	599		72	
Coarse grains									
1954-55	24	19	23	--	179	244		27	
1955-56	4	60	168	--	158	399		60	
Rice, milled									
1954-55	4	--	3/	--	60	64		6	
1955-56	27	20	3/	--	34	81		57	
Cotton									
1954-55	95	127	3/	59	404	684		41	
1955-56	7	202	5	61	96	372		74	
Tobacco, leaf									
1954-55	3/	15	--	--	290	306		5	
1955-56	--	52	--	--	326	378		14	
Fats, oils and oilseeds									
1954-55	55	26	3	--	414	499		17	
1955-56	16	121	5	--	480	621		23	
Dairy products									
1954-55	128	2	3/	--	82	211		61	
1955-56	179	21	--	--	91	287		68	
Total, including other									
1954-55	383	354	125	69	2,212	3,143		30	
1955-56	282	776	298	61	4,206	3,493		41	

1/ Totals for commodity groups include estimated value of donations under Sec. 416 of the Agricultural Act of 1949, as amended which are not identified by name in official U. S. Export Statistics.

2/ Because of differences in reporting periods, exports under Government programs are not strictly comparable with official export statistics.

3/ Less than .5.

4/ Excluding cotton, dollar exports in 1955-56 were 170 million dollars higher than in 1954-55.

The Outlook for Exports

With continued prosperity abroad, large scale commitments under the foreign currency sales program of Public Law 480, an increase in economic aid available under the Mutual Security Act, and continued donation and barter activities, the expansion in agricultural exports is expected to continue. Providing shipping is available, agricultural exports in 1956-57 may exceed the previous record of 4.1 billion dollars. Depending on the size of the cotton movement, total export value may rise 15 or 20 percent from 1955-56 and would probably be associated with an even larger increase in volume. On basis of present programs and funds available, approximately half of such exports would move under Public Law 480 and the Mutual Security Act.

July-September exports, at 978 million dollars, are one-third above a year earlier. Cotton exports rose three fold; about one-third of the cotton exported during the quarter moved under barter contracts. For the first nine months of 1956, agricultural exports were 24 percent above the previous year. Thus calendar year exports are also heading for a record.

Assuming the availability of shipping, the 1956-57 export outlook for important commodities is as follows:

Wheat. Foreign production in 1956-57 is estimated at somewhat above last year's record level, with most of the increase in the Soviet Union. There has been no significant change in the stock position of major foreign exporters. However, the winter kill in Europe, especially France and the Low Countries, will increase import needs in this important foreign market and put France on a net import basis compared with exports of 100 million bushels last year. United States exports of wheat and flour in 1956-57 may total 70 million bushels or more above the 344 million bushels (in wheat equivalent) exported in 1955-56.

Cotton. Foreign production in 1956-57 is estimated somewhat above the previous year, with most of the increase in the Soviet bloc. Foreign stocks are very low and foreign consumption is increasing. With U. S. export prices currently 10-15 percent below last year, exports during 1956-57 may be much more than double last year's 2.2 million bales. CCC sales for export after August 1 totaled 5.2 million bales as of the end of October.

Rice. World rice production is expected to reach a new high in 1956-57 with most of the increase in the Far East. However, surplus stocks in foreign exporting countries have been virtually worked off, and with large normal and relief needs in the Far East, United States rice exports in 1956-57 may more than double the 11 million bags (milled basis) shipped out last year. Foreign currency sales agreements with Indonesia, Pakistan and India alone provide for the export of more than 15 million bags.

Feed grains. While the expanding world livestock industry will continue to require large quantities of feed, the reseeding of large areas of damaged European wheat acreage to barley and oats and the availability of low-grade wheat for feed will reduce the import demand for coarse grains. Furthermore, stocks of feed grains in major foreign exporting countries are well above a year ago, and current production of barley and oats in Canada is expected to be larger than last year. As a result, U. S. exports of feed grains as a whole may fall 30 percent below last year.

Tobacco. The outlook is for a continued high foreign demand for U. S. leaf. However, because part of the 575 million pounds exported last year was used to build-up foreign stocks, and because of the greater domestic demand for medium-priced grades usually taken by certain countries, exports during 1956-57 may be 10-15 percent below last year.

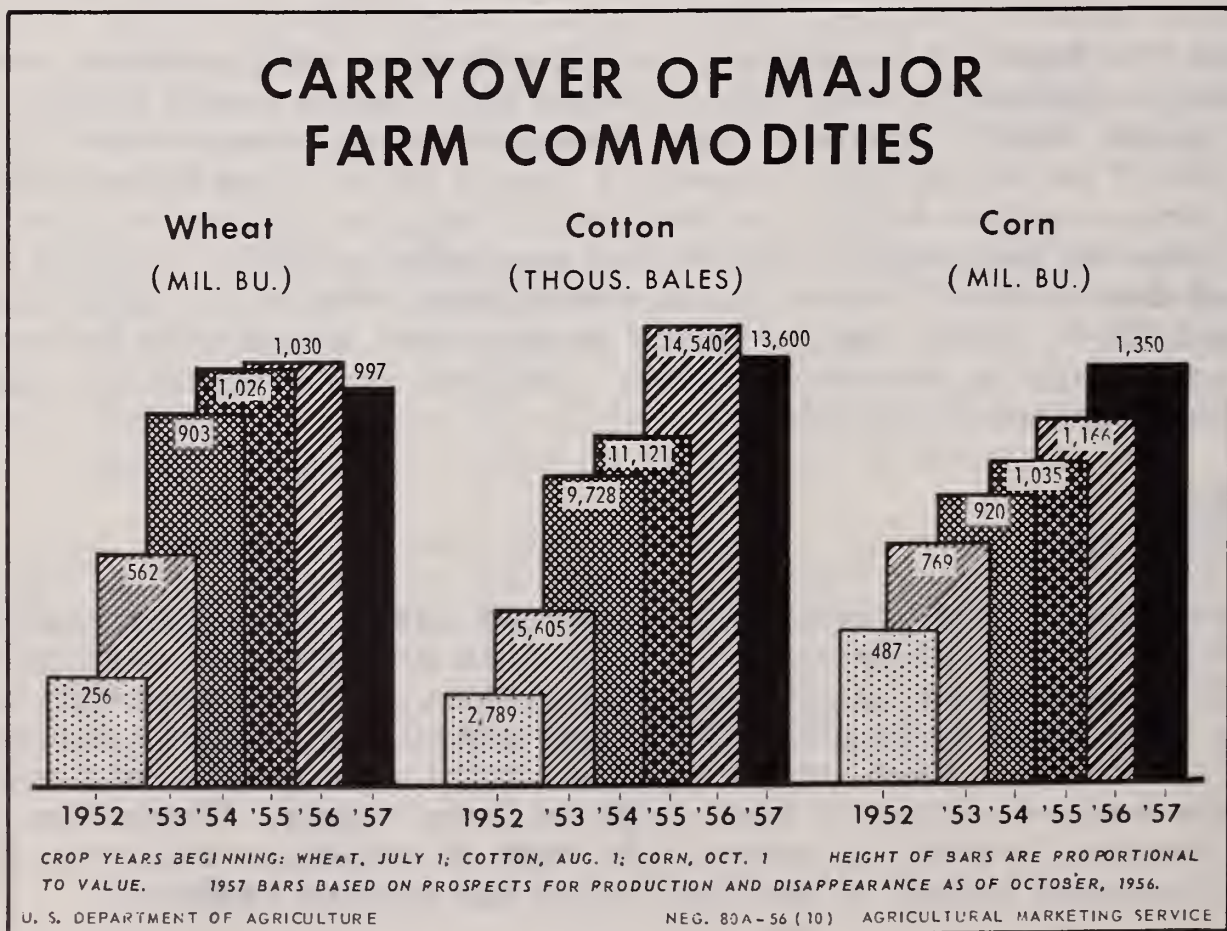
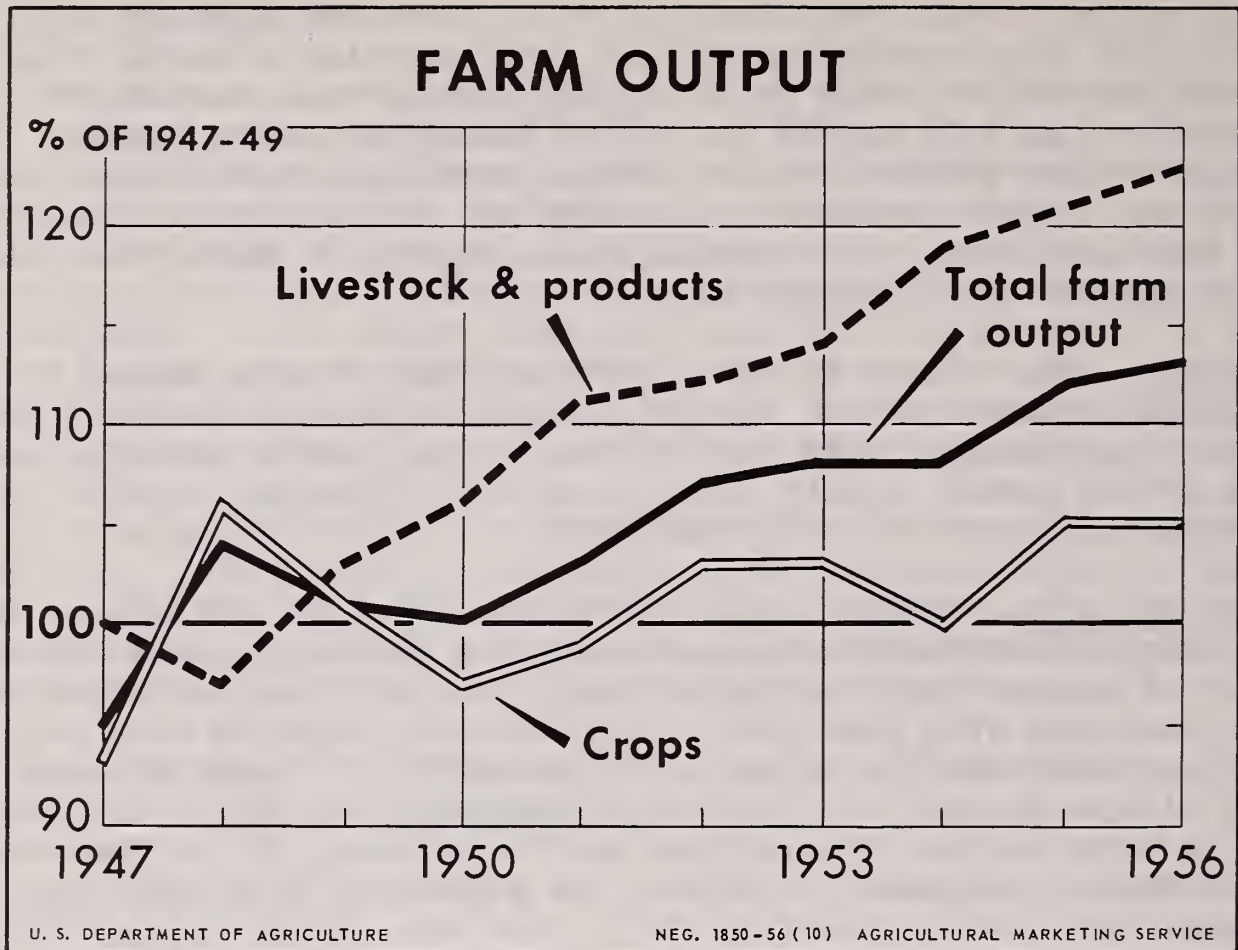
Fats and oils. Another large export year for fats and oils is in prospect, despite increased foreign production of most major fats and oils. High levels of economic activity and consumer income abroad and relatively low stocks resulting from last year's crop failures, together with large U. S. supplies at attractive prices, will maintain U. S. exports around the record 4.4 billion pounds (oil equivalent) exported last year. If foreign output falls below current expectations and the blocking of the Suez Canal reduces Far Eastern shipments to Europe, the demand for U. S. fats and oils may increase.

SUPPLIES AND PRICES OF FARM PRODUCTS

While the domestic and foreign demand situation will continue comparatively strong, supplies of some farm products will remain heavy. Large stocks of cotton, wheat, rice, corn, and other feed grains and tobacco were carried into the 1956-57 marketing year. Commodity Credit Corporation investment in stocks and price support activities totaled 8.0 billion dollars on June 30, 1956, 1 billion dollars higher than on the same date in 1955. The CCC value of sales and donations of price support commodities totaled 2.7 billion dollars in the 1955-56 fiscal year. Export programs are expected to reduce stocks of some crops in the current year. The Soil Bank program will operate to reduce them further in 1957-58.

Record Output Indicated for 1956

Production of farm products this year may exceed the 1955 record of 112 percent of the 1947-49 average. Part of this year's output will be marketed in 1957. Reductions in 1956 crops of cotton, tobacco, rice and small feed grains are likely to be offset by larger production of corn, soybeans, vegetables and fruits. Thus, crop output may equal last year's near-record level despite reduced output of some crops in large supply. Production of livestock products in total is expected to rise to new highs this year due largely to increased output of beef and dairy and poultry products.



Farm output in 1957 will probably be down somewhat from this year under a fully operating Soil Bank program. Over 10 million acres of winter wheat has been signed up under the Acreage Reserve so far this year, and the expectation is that the total including spring wheat will attain 13 million acres. A considerable acreage of corn and cotton, and some acreage of other basic crops is expected to go into the Acreage Reserve. With a Conservation Reserve goal of 20 million acres, some 40 to 45 million acres may be placed in the Soil Bank program for 1957. A smaller volume of crop marketings would result from reduced output. Marketings of livestock products also will be down slightly if hog production is reduced as anticipated.

Farm Product Prices Strengthen

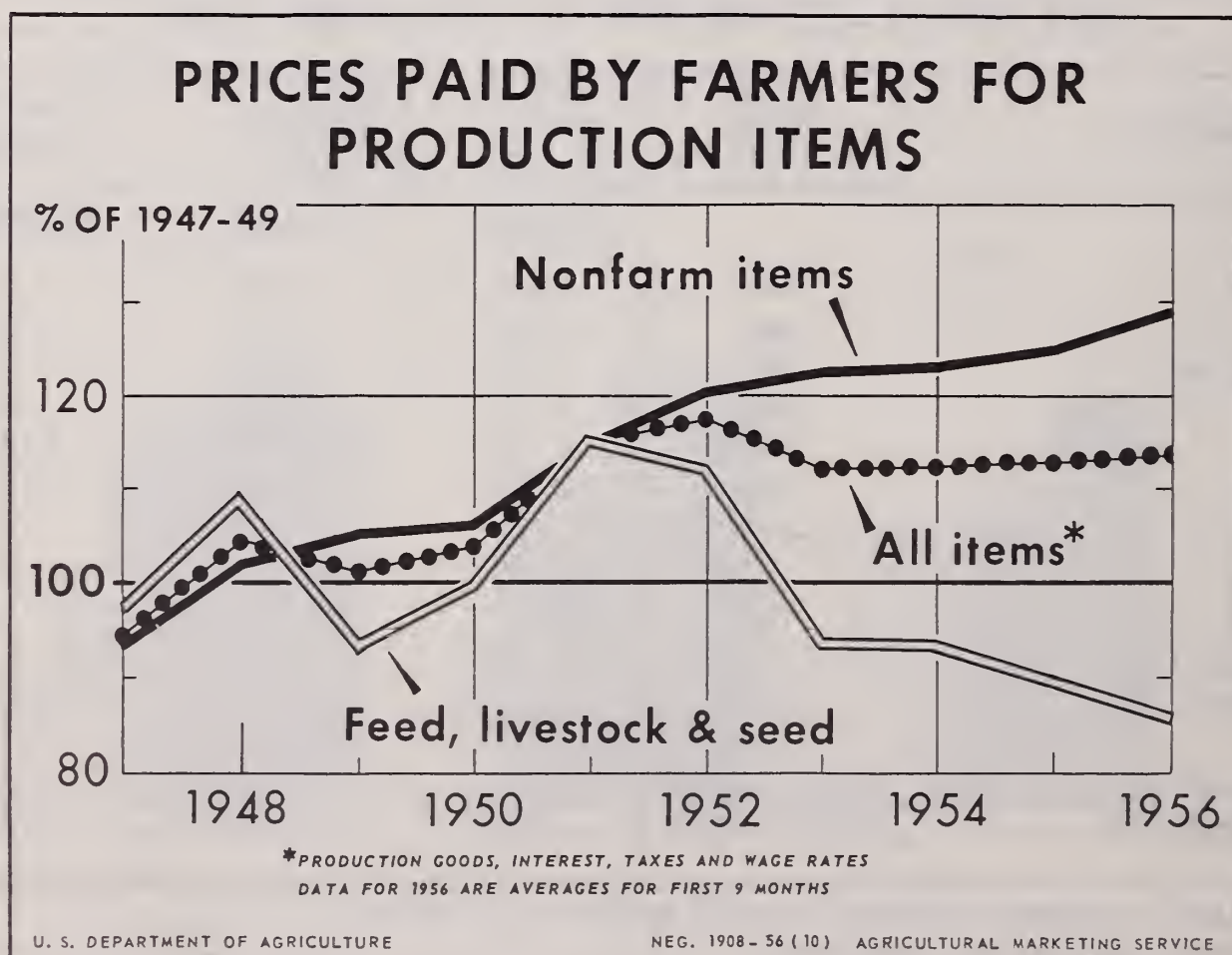
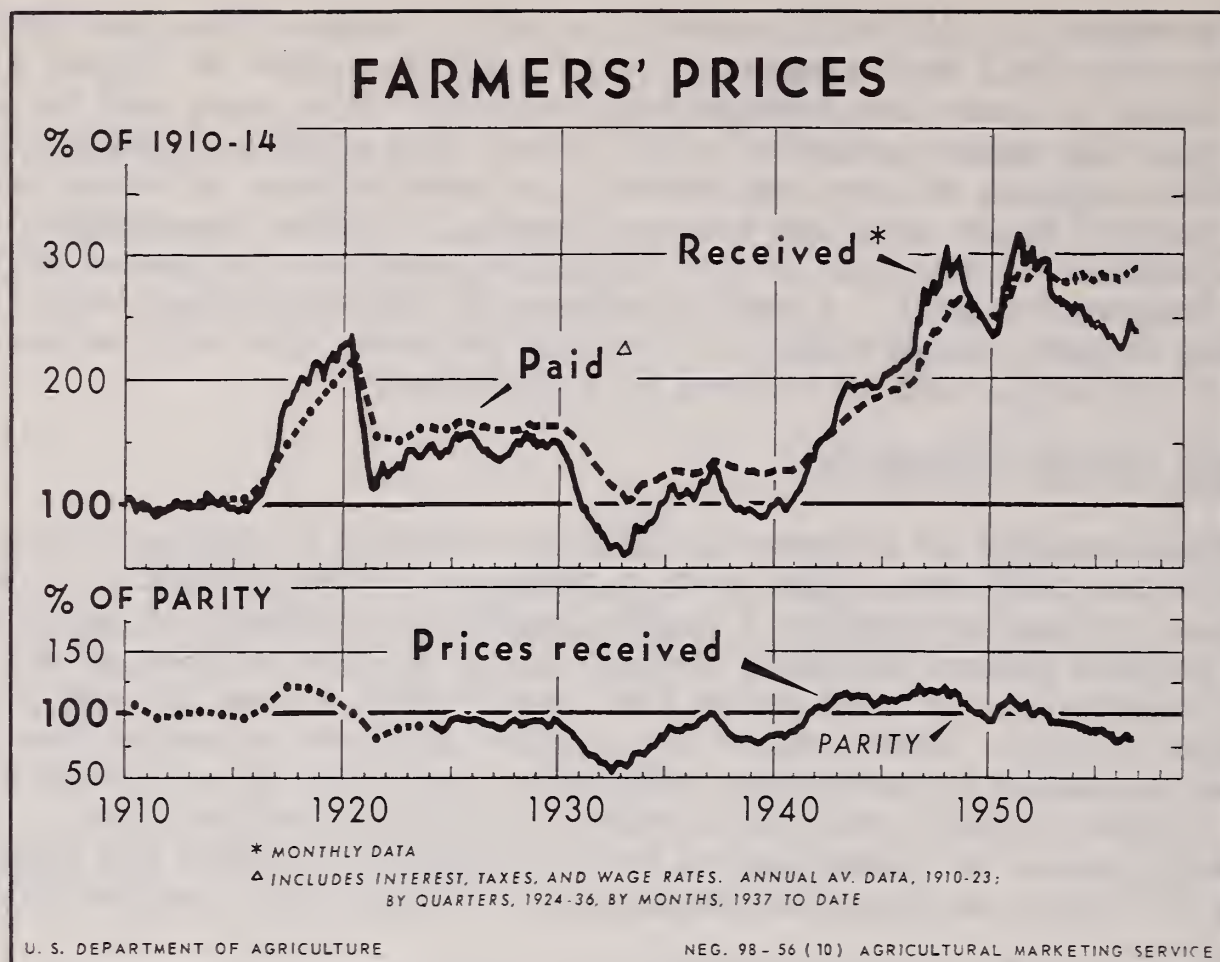
Prices received by farmers in 1957 are expected to average higher than this year. Since last June, farm product prices have been a little above a year earlier, primarily because of higher prices for a number of major crops. Livestock product prices currently average close to year earlier levels. Hog slaughter recently has dropped below the heavy volume a year ago and prices are averaging higher. Lower prices for poultry products in recent months reflect big increases in production this year, particularly of broilers and turkeys. Prices of dairy products continue a little above last year. Livestock product prices in coming months are expected to be above the relatively low levels of a year earlier; hog marketings will probably continue below a year ago.

Table 12.- Prices received by farmers for specified commodities, third quarter 1955 and 1956 with percentage change

Commodity	Unit	Third quarter 1955	Third quarter 1956	Percentage change
		Dollars	Dollars	Percent
Wheat	Bu.	1.93	1.93	0
Corn	Bu.	1.31	1.44	10
Cotton, upland	Lb.	.329	.320	-3
Soybeans	Bu.	2.14	2.29	7
Potatoes	Cwt.	1.34	3.06	128
Oranges ^{1/}	Box	1.58	2.04	29
All crops	1910-14=100	231	243	5
Hogs	Cwt.	15.93	15.63	-2
Beef cattle	Cwt.	15.80	15.97	1
Milk, wholesale	Cwt.	3.98	4.13	4
All chickens, live	Lb.	.241	.188	-22
Eggs	Doz.	.395	.373	-6
All livestock and products	1910-14=100	237	236	2/
All farm products	1910-14=100	234	239	2

^{1/} Equivalent on-tree returns for all methods of sales.

^{2/} Less than 0.5 percent decrease.



In recent months crop prices have averaged about 4 1/2 percent above a year earlier. Supply variations, a strong foreign market, and operations under price support and surplus disposal programs largely explain crop price movements during the past year. Slightly higher average prices in recent months for grains and oil crops probably are due primarily to Government programs. With strong demand, fruit prices are averaging higher this fall. Prices of commercial vegetables and potatoes averaged sharply higher this summer. Although potatoes are down from earlier months, they were still well above a year earlier in October.

Prices Paid Higher;

Parity Ratio Unchanged

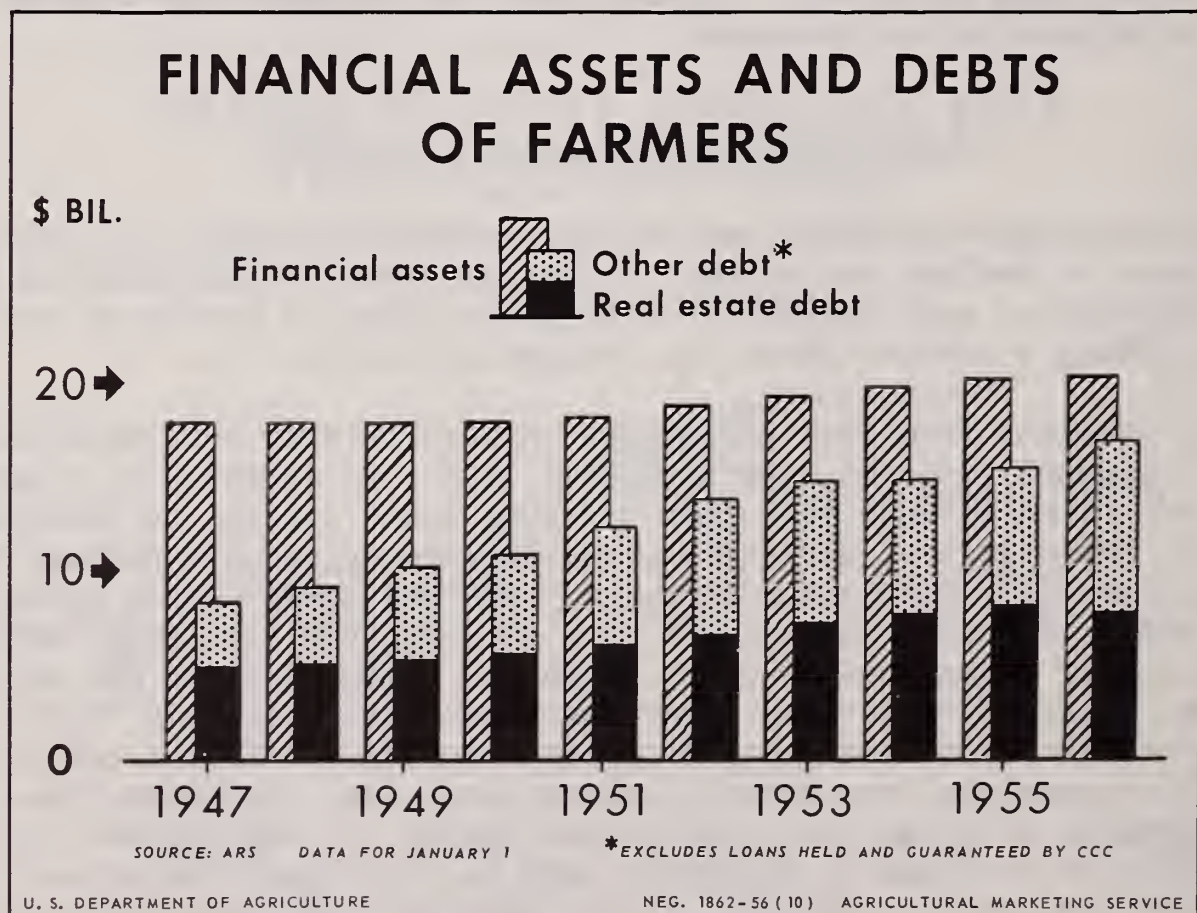
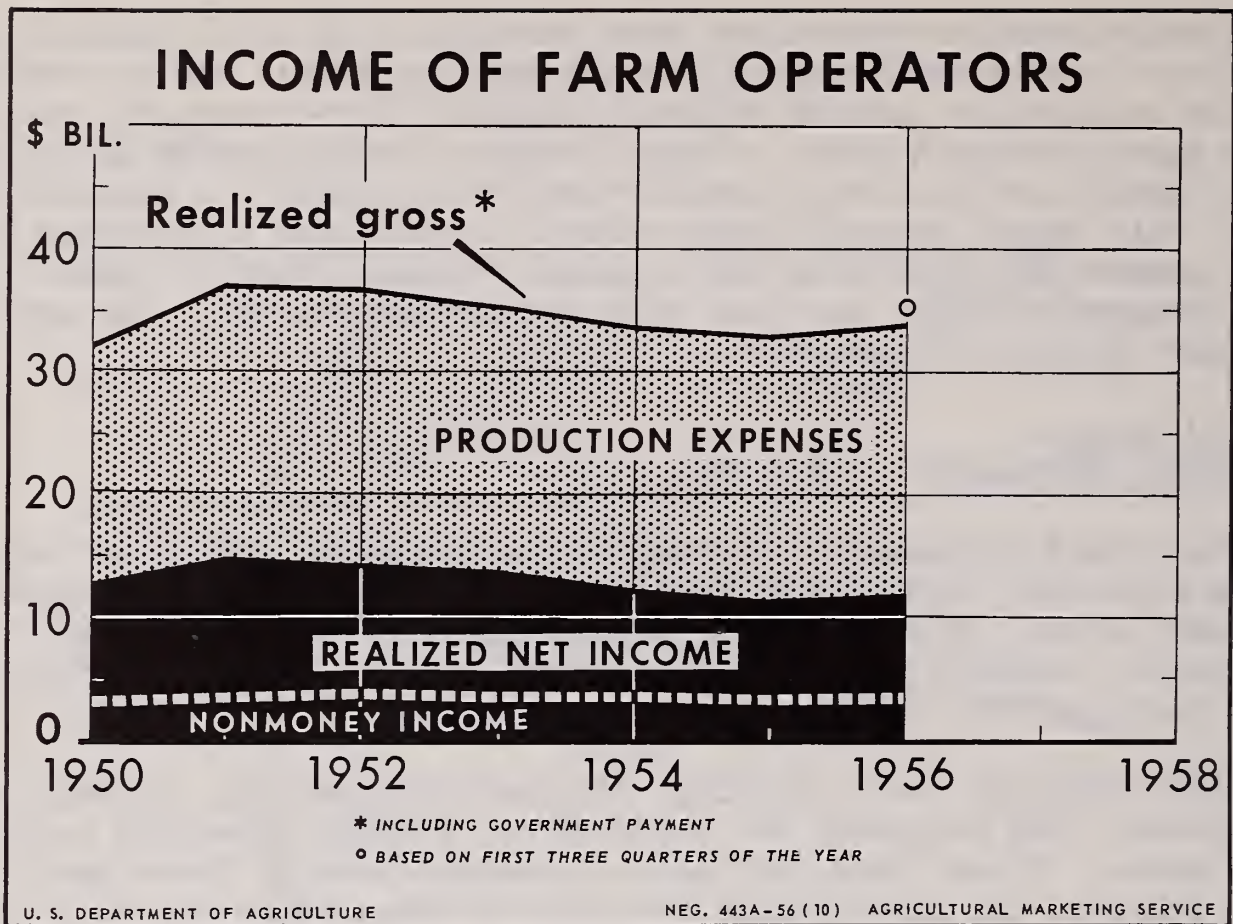
Prices paid by farmers for commodities, interest, taxes, and wage rates have risen since the beginning of this year and in mid-October averaged 2 1/2 percent above a year earlier. With prices received also higher the ratio of prices received to prices paid (parity ratio) was 82 in October, the same as a year earlier.

Prices paid for food, clothing, household furnishings, automobiles, motor supplies, farm machinery and building and fencing materials contributed to higher costs. Prices paid for feeder livestock average lower than a year earlier. Interest and tax payments per acre and wage rates are well above 1955. The uptrend in prices paid by farmers for most industrial items is expected to continue into 1957. Interest and tax payments per acre and wage rates are also expected to increase.

FARM INCOME AND FINANCIAL SITUATION

Farm operators' realized net incomes turned up in 1956 following 4 consecutive years of decline and current prospects point to some further increase in 1957. Operators' realized net incomes in the first 9 months of this year are running about 4 percent above the average for 1955.

Cash receipts from farm marketings through October this year were up more than 2 percent from the same period of 1955. An increase of 3 percent in the volume of marketings more than offset a small decline in average prices to growers. Marketings of livestock products were up about 5 percent from January-October 1955, but prices averaged 3 percent lower. Cash receipts from livestock and livestock products were up 2 percent from last year, mostly because of larger receipts from dairy products. Crop receipts are also up a little from last year reflecting larger marketings and slightly higher prices. Increased receipts from wheat, soybeans, and many of the fruits and vegetables offset smaller receipts from cotton, tobacco and rice. Payments under the new Soil Bank program also have contributed materially to farm incomes this year. Such payments, which began in September, and the new incentive payments for wool are together adding about 300 million dollars to farmers' income this year.



Farm production expenses are also up slightly this year mostly due to increased costs, as mentioned earlier, in such overhead items as interest, taxes, and depreciation; increased purchases of feeder livestock; and higher costs for repairs and operation of motor vehicles, machinery and buildings. Although both receipts and expenses have increased, farmers' realized net income was at an annual rate of 11.7 billion dollars in the first three quarters of this year compared with a total of 11.3 billion for 1955 as a whole.

A full scale Soil Bank program next year will probably bring a reduction in farm marketings of crops. Also, smaller marketings of hogs may slightly reduce the total for livestock products. Although prices are likely to average slightly higher, cash receipts may be smaller. The effect in net income is likely to be more than offset by larger payments under the Soil Bank program. A further rise in prices paid for production items is expected, but with smaller acreage in use production expenses may remain much the same as in 1955. Thus, some further rise in operators' net income is in prospect for 1957.

Farm Assets, Debts Increase

The value of farm assets and proprietors' equities in farm properties continued upward during 1956. An increase in farm real estate values was primarily responsible. Liquid reserves of farmers appear to have changed little during 1956. Throughout the country farm debts have increased, as many farmers have maintained their liquid reserves by borrowing more money to meet operating and living expenses. A considerable part of the increase in debt, however, has resulted from purchases of farms or additional land and farm investment in farm capital goods. This is true even though farmers have curtailed expenditures for automobiles, machinery and farm improvements.

Little change is expected in the financial situation of farmers as a group in 1957. Farm debts probably will continue to rise and farm asset values may also increase. However, the growth in real estate values may slow.

LONGER-TERM DEMAND PROSPECTS FOR FARM PRODUCTS

Some of the most pressing problems facing agriculture today revolve around the outlook for the next 5 or 6 years. The extent to which demand for farm products expands in coming years will be an important factor influencing programs that are designed to limit production and work down excessive stocks of some farm products. The general supply situation facing agriculture today suggests that the major concern for several years may involve production adjustment and programs to limit farm output. How well the Soil Bank and surplus disposal programs adjust the level of production and stocks to market demand will largely determine the time when agricultural production will again need to rise to meet the needs of a growing population and an expanding domestic market.

Requirements for farm products are expected to rise moderately in coming years due mostly to growth in population. Expansion in economic activity and a continued high level of employment would increase per capita demand for some farm products but, for farm products as a whole, changes in per capita use will likely be relatively small. Population may increase by some 7 or 8 percent in the next 5 or 6 years. With a small gain in per capita use of farm products and no substantial change in foreign takings, total requirements may increase by as much as a tenth. Consumption of meat animals and dairy and poultry products are expected to rise only moderately from current high consumption rates. Domestic use of food and nonfood fats and oils will depend largely on population growth. Among the crops, largest increases in requirements are indicated for citrus and some other fruits, for many fresh vegetables and for cotton and some tobacco products. Requirements may change little for such crops as food grains, potatoes, and dry beans and peas.

Current trends suggest cattle numbers are at or near the top of their cycle. Projected requirements suggest about 100 million head by the early nineteen sixties; there were $97\frac{1}{2}$ million head on January 1, 1956. A pig crop of around 100 million head is indicated on the basis of projected requirements about 5 or 6 years hence. The pig crop in 1956 is estimated at 88 million head. Projected expansion in requirements for poultry products would necessitate eventual increases, particularly in broilers and turkeys raised.

Projections to 1975

Requirements for farm products, under conditions of high employment, are projected for 1975 at around 40 to 45 percent above 1953. Population growth would account for possibly 30 to 35 percent with the remainder due to rising consumer incomes and trends in popular consumption habits. The increase in per capita use does not represent a rise in pounds of food consumed; it is due primarily to a shift to such relatively high-cost foods as livestock products, fruits and vegetables and away from such foods as cereals and potatoes. Demand will expand relatively more rapidly for those farm products which increase most in response to income and price changes. Increases in requirements would be substantial for meat animals, chicken and turkey, and most other livestock products. Crop requirements in general would increase less, but biggest gains in requirements are in prospect for citrus and many other fruits, most vegetables, and feed. 1/

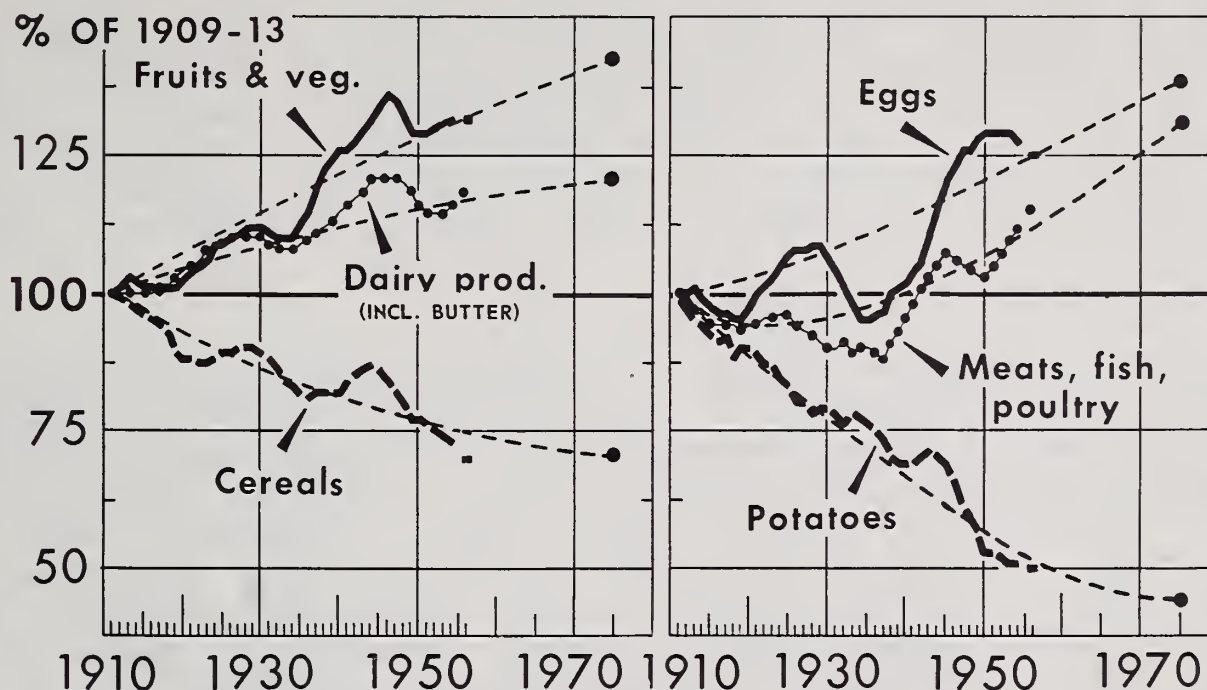
LIVESTOCK AND MEAT

Livestock production and slaughter in 1957 will continue large, though it will ease a little below the 1956 record volume. Hog slaughter especially will be less than in 1956. Fully as many cattle are likely to be slaughtered as in 1956, but average carcass weights may be sufficiently lighter to pull down the total output of beef to some extent. Prices for hogs will be higher than in 1956. Those of cattle are expected to at least stay above their lowest

1/ For more detail see The Long-Run Demand for Farm Products, by Rex. F. Daly, Agricultural Economics Research, Vol. VIII, No. 3, July 1956.

With Projections to 1975

TRENDS IN OUR EATING HABITS



5-YR. MOVING AV. CENTERED

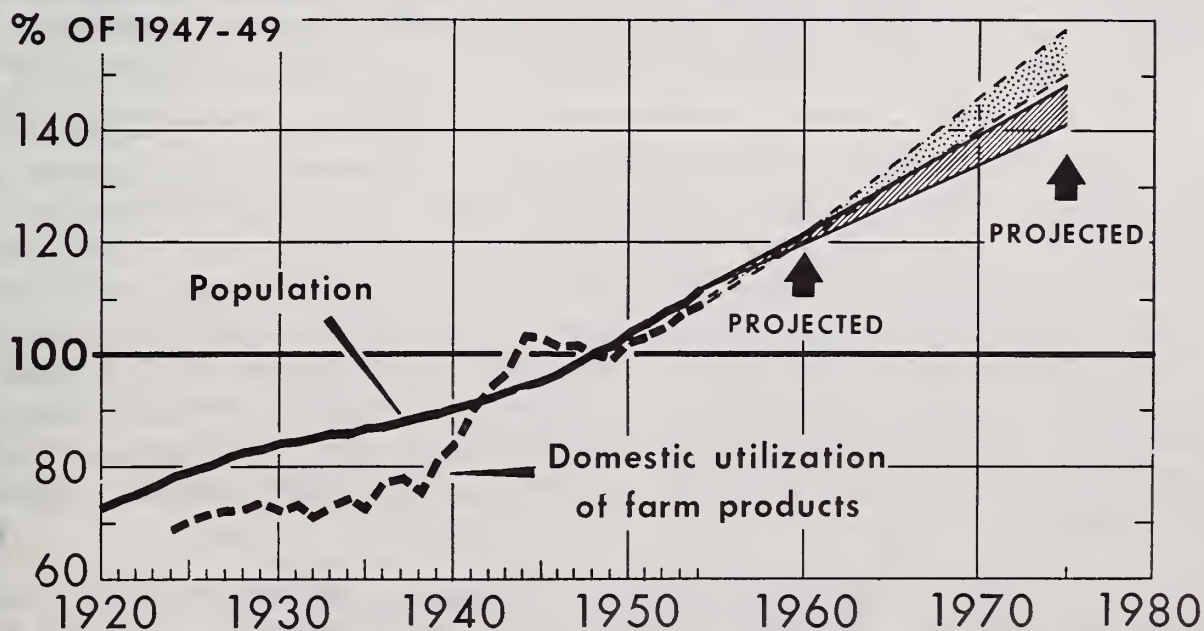
PER CAPITA CIVILIAN CONSUMPTION, U.S. (USING 1947-49 RETAIL PRICE AS WEIGHTS)
1956 ESTIMATES BASED ON DATA FOR JULY

U. S. DEPARTMENT OF AGRICULTURE

NEG. 1009B-56 (7) AGRICULTURAL MARKETING SERVICE

With Projections to 1975

INCREASE IN POPULATION AND DOMESTIC USE OF FARM PRODUCTS



U. S. DEPARTMENT OF AGRICULTURE

NEG. 3117-56 (4) AGRICULTURAL MARKETING SERVICE

points of 1956 and may average slightly above that year. With little change in slaughter in prospect, prices of sheep and lambs also may average slightly higher in 1957.

This outlook for hogs in 1957 is based largely on the reduction in supply already in progress. The 1956 spring pig crop was down 8 percent from the previous year, and producers' intentions in June were to reduce fall farrowings 7 percent. As the cut in farrowings and pigs saved began at the middle of the spring season, it has influenced slaughter only since the first of October. It will continue to be an influence during the remainder of 1956 and throughout the first 6 to 8 months of 1957, when hog slaughter will average considerably below 1956. As a result, prices of hogs for much of the coming year will be generally the highest since 1954.

The supply and price of hogs will probably be closer to those of a year earlier in the fall of 1957 than in the first half of the year. Producers in nine States intended this past September to reduce farrowings in the first half of the spring season (December-February) by 4 percent. The hog-corn price ratio this fall has been low enough to make an increase in total spring farrowings appear unlikely. On the other hand, the smaller than usual decline in prices of hogs so far this fall has made producers more confident. Also, the corn crop is the second largest on record. Accordingly, there is a strong possibility that by the middle of the spring season farrowings will be back to their 1956 number, and the season total may be close to that of 1956. Such a farrowing pattern would hold the rate of hog slaughter below 1956 until near the end of 1957. Thereafter it would be a little larger. But with the population increasing, the supply of pork for the fall and winter of 1957-58 would not be excessive. This indicates returns from pigs born in the spring of 1957 at least as high as those from 1956 spring pigs, and perhaps somewhat higher.

Consumers will have around 63 pounds of pork to eat per capita in 1957 compared with 66 pounds in each of the last two years. They will pay higher prices--possibly considerably higher than in early 1956, when pork prices were exceptionally low in relation to pork supplies and consumer incomes. However, retail prices of pork will remain well below their highs of a few years ago.

In 1956 about 40.4 million cattle and calves are being slaughtered. This is 1 million more than in 1955 and almost the same as the number produced less death losses. Thus, little change is likely in the 1957 cattle inventory. Nor will the count of individual kinds of cattle change much. The cow herd probably is nearly stable. The number of young stock on farms will remain very large, but probably will contain fewer heavy steers and more calves than last January. With this prospective inventory, cattle and calf slaughter may be fully as great in 1957 as in 1956. However, slaughter weights may average lighter than in 1956, when those through June were the heaviest for any recent year. Slaughter in 1957 will include as many or more fed cattle, though these too will be lighter.

With marketings staying cyclically large, no marked general change in cattle prices is likely. Prices of fed cattle will probably decline seasonally this winter but probably will not repeat their low of early 1956. They may stay above comparable 1956 prices through the first half-year. As the

supply of fed cattle for slaughter in 1957 will probably be distributed more evenly than in 1956, a price rise next summer equal to that of this summer is not likely. However, weather and other conditions will affect actual price trends during the year.

Sheep and lambs, like cattle, are neither increasing nor decreasing in number. Expansion in the East is offset by reductions in parts of the West. Since May, lamb prices have been higher than last year, partly in reflection of improving prices for competing meat animals. The higher level may continue through the first half of 1957. Producers this year also received a substantial incentive payment on their wool, increasing their returns from the sheep enterprise.

The longer (5 year) outlook for meat animals is fairly bright, though it is limited by the tendency of consumers to spend a decreasing percentage of their incomes on meat and by an uptrend in marketing costs. The Soil Bank is not expected to prevent a gradual increase in meat animal production. Unless demand for pork strengthens, the longer time outlook is not as bright for hogs as for cattle. Nevertheless, a slow growth in the annual pig crop from 88 million in 1956 to around 100 million in 1960-62 seems likely. Cattle numbers, now at 97½ million, may change little or decline somewhat the next year or two, then expand. Sheep and lamb numbers also may increase gradually. Consumption of meat per person in 1960-62 is projected at 152-155 pounds. This would be less than the 161 pounds in 1955 and an estimated 163½ in 1956 but more than in any other year since 1908.

DAIRY PRODUCTS

Sales of milk by farmers are increasing and will rise to another new record in 1957. Milk production on farms probably will be between 129 and 130 billion pounds next year compared with a little over 127 billion in 1956. Prices to farmers will be at present levels, allowing for seasonal variation, through at least March 1957, the end of the current marketing year. Prices in 1957-58 will be influenced by the level of supports yet to be announced. Cash receipts from dairy products in 1957 probably will increase moderately further to a new high. Some costs, however, will be higher so that there may be little change from 1956 in net returns from dairying.

In the past several years, prices to farmers for milk have shown a smaller net decline than some alternative products and now are a little above average in relationship to prices of hogs and dairy rations. Supplies of both feed concentrates and roughages are large relative to the number of cattle and other livestock but are not as well distributed among regions as last year. Nevertheless, with comparatively favorable price relationships, improved average quality of cows, and improved practices, the rate of milk production per cow in 1957 probably will increase beyond the 6,000 pound average of 1956. Further significant annual increases are likely for several years, at least, after 1957. As a result, even though the number of cows probably will remain stable, total milk production is likely to increase for some time, barring widespread adverse feed and pasture growing conditions.

Consumer demand for dairy products in 1957 will be at least as strong as this year. However, retail prices of several dairy products, including fluid milk, may average higher in 1957 than in 1956.

Total commercial use of milk products by civilians in 1956 will be about 113.4 billion pounds (milk equivalent fat solids basis) compared with 110.5 billion a year earlier. In addition, civilians consumed the equivalent of about 5 billion pounds from CCC stocks of butter and cheese in school lunch and special milk programs, slightly above 1955. The consumption from all sources was around 708 pounds per person in 1956, compared with 700 pounds in 1955, and the 1935-39 average of 791. The increase in population in the next year, at no change in per capita use rates, would expand the civilian market by about 2 billion pounds, approximating the prospective increase in total milk output. Hence, in the next 12 months, the quantity sold to CCC probably will about equal the 5 billion pounds likely in the current year.

Under the broader authority for disposing of CCC stocks of dairy products provided by the Agricultural Act of 1954, the rate of disposition has exceeded purchases in the past 2 years. In 1954, peak stocks of the three items consisted of 467 million pounds of butter, 600 million pounds of nonfat dry milk, and 436 million pounds of cheese. At the end of October this year, the comparable figures were 0 for butter, 21 million for nonfat dry milk, and 190 million for American cheese. Over the past 4 years, surplus disposition of butter and cheese has been about equally divided between domestic and foreign, though in the spring of 1956, donations of butter for foreign use were halted. Currently, milk production is seasonally low and purchases of butter are practically nil, but CCC purchases of both cheese and nonfat dry milk continue above a year earlier.

POULTRY AND EGGS

Production of eggs, broilers, and turkeys in 1957 is likely to exceed the record levels being established for these commodities in 1956. With the possible exception of broilers, prices for these commodities are likely to average a little lower in 1957 than in 1956.

Average egg prices received by farmers in the next month or two are likely to be lower than in September and October when they averaged 38 cents per dozen. Thus the level at the beginning of 1957 will be substantially below the mid-January 1956 farmers' price of 46.6 cents per dozen. The generally downward trend of egg prices until spring may be interrupted during and after periods of severe winter weather, but it will nevertheless likely lead to a springtime average price lower than that received by farmers in April-June 1956, which averaged 37.4 cents per dozen. Egg production from the present time to mid-1957 will be from a flock about as large as a year earlier and one that probably will be producing at a higher rate per bird. The number of potential layers on November 1 was 1 percent below a year earlier.

About as many chickens raised are in prospect for next spring as in 1956; egg supplies and also prices in the fall of 1957 are likely to be about at the 1956 level for the corresponding months. For 1957 as a whole, egg prices are likely to average slightly below the 38 cent average price per dozen expected for 1956. The trend toward more specialization in egg

production tends to reduce shifting to other farm enterprises and thus tends to keep up laying flock replacement even when egg prices are unsatisfactory to producers.

Although broiler output in 1957 promises to be higher than in 1956, prices in 1957 may rise slightly above those of the last few months. The principal basis for expecting continued record-large broiler production, despite relatively low prices, is the widespread practice of "financing" and "vertical integration." When farmers are "financed," their risk of out-of-pocket loss from the enterprise is reduced or eliminated. "Vertical integration" is a form of organization that provides coordinated control of a broiler operation from hatching to distribution of finished birds.

Turkey prices through late summer 1957 probably will remain sharply lower than a year earlier. In mid-October 1956, the U. S. average price received by farmers was 25.8 cents per pound compared with 31.2 cents a year earlier. After late summer of 1957, however, turkey prices may almost equal the corresponding monthly prices of 1956; prices declined in late 1956.

Farmers holding turkey breeder hens of the heavy types reported intentions to keep 16 percent more such birds on January 1, 1957, than a year earlier. Even if tempered considerably, these intentions indicate a larger supply of hatching eggs and of poults in 1957 than in 1956. Turkey raising also is encouraged by financing, tending to sustain output above levels that would be supported by farmers' other credit resources. A larger proportion of the crop than in 1956 will be heavy-breed turkeys, particularly white-feathered heavy breeds.

Total value of farmers' sales of all poultry products combined may be a little higher than the \$3.2 billion estimated for 1956 because increases in volume and in broiler prices may more than offset the lower prices for eggs and turkeys.

OILSEEDS, FATS AND OILS

A supply of food fats and oils about as large as last year's record level is in prospect for the 1956-57 marketing year. A smaller carryin on October 1, 1956 is expected to be offset by increased output. Supplies of butter and lard will be smaller but those of vegetable oils will be larger.

Output of vegetable oils through next September will be moderately above that in 1955-56. Soybean oil production is expected to reach a new high and will more than offset a decline in cottonseed oil production. Total supplies of vegetable oils in 1956-57 will be somewhat larger than last year in spite of lower inventories on October 1, 1956. Prices of vegetable oils this fall and winter probably will average higher than a year earlier, because the export market will take the excess of output over domestic use.

Lard output in 1956-57 is expected to be about 8 percent less than the previous year but total supply will still be in excess of domestic requirements. Prices will average somewhat higher than last year because of smaller supplies and good export demand. During the past year, the use of lard in

shortening increased sharply, partly because its price in primary markets was much lower than that of vegetable oils. Since the price differential between lard and the vegetable oils may not be as great in 1956-57, there will be less incentive to use lard in shortening.

Butter production in 1956-57 probably will be about as large as a year earlier. Milk production is expected to be up somewhat, but most of the increase will probably be used as fluid milk and for dairy products other than butter. Butter prices will average slightly higher than last year because of the higher support level.

The strength of export demand will again be a major price-influencing factor on the level of domestic prices of fats and oils. The outlook for exports of food fats and oils through next September appears promising as foreign countries continue to need substantial quantities of food fats and oils. In fact, exports are likely to be about as large as the record 2.7 billion pounds (including oil equivalent of soybeans) for the year which just ended. The record shipments to foreign countries may be attributed to growing population, improved levels of living, a continuing high level of economic activity, more competitive U. S. export prices, and the stimulus provided by sales for foreign currency under the Public Law 480 programs. Of course, significant changes in estimates of foreign oil crops or political developments in the Mid-East could materially affect the demand for U. S. oilseeds, fats and oils. A substantial volume of these commodities normally moves northward through the Suez Canal from India, China, The Philippines and other far Eastern areas. Since their movement is deterred and transportation costs have increased by the temporary blockage of the Canal, the competitive position of U. S. commodities would be strengthened.

Domestic disappearance of food fats and oils in 1957 is expected to be about the same as the 45 pounds (fat content) per person rate of the three preceding years. Some increase is in prospect for vegetable oils, and this will largely offset the small decline in lard.

The 1956 peanut crop will provide more peanuts than required for food and farm uses and a substantial quantity will be available for crushing, export and addition to stocks. Prices to farmers will average lower this year than last, because of a reduction in the national average support price of about 1 cent per pound. Last year, the short supply and relatively high prices for Virginia type peanuts held civilian consumption to about 6.0 pounds per person (farmer stock basis). With large supplies of Virginia type peanuts available and prices lower, consumption in 1956-57 is likely to return to about 6.5 pounds as in earlier years.

A marketing quota of 725,305 tons (1,450 million pounds) for 1957 crop peanuts and a national allotment of 1,610,000 acres for picking and threshing was announced on November 9, 1956. This is the minimum marketing quota and acreage allotment permitted under existing legislation. Peanut producers will vote on December 11, 1956 in a referendum on marketing quotas for the 1957, 1958, and 1959 crops. Quotas have been in effect since 1949. A two-thirds

favorable vote in a referendum is required in order to continue quotas in effect. Existing legislation provides that if quotas are in effect, the price of peanuts will be supported at some level between 75-90 percent of parity.

Flaxseed output in 1956-57 is placed at 52 million bushels, compared with 32 million needed domestically for oil, seed and feed. If commercial stocks are not reduced below the relatively small inventory at the beginning of the year, 20 million bushels would be available for export or delivery to CCC. Flaxseed prices to farmers probably will continue to average near the support price the rest of the crop year. Export prospects for U. S. flaxseed and linseed oil are not as bright as last year because of increased availabilities from other countries. The world scarcity of export supplies which existed in early 1956 has now been transformed into abundance with the harvest of the North American crop.

The 1956 U. S. tung nut crop was damaged by freeze last spring and oil production is unofficially estimated at 25-30 million pounds. Our domestic use in recent years has averaged 50 million pounds. Argentina and Paraguay are estimated as having produced from 45-50 million pounds. If imports exceed 25 million pounds it is likely that some tung oil will be placed under loan and acquired by CCC. Farm prices probably will average near the 1956 support price of \$53.76 per ton.

Inedible tallow and greases output in 1956-57 will be down from the record 3.1 billion pounds last year, reflecting a drop of about 8 percent in hog slaughter. Prices in 1956-57 will again depend to a large extent upon exports, as little change in domestic disappearance is expected.

FEED

The total feed concentrate supply for 1956-57 is slightly above last year's record level of 197 million tons and 14 percent above the 1950-54 average. Acreage of each of the four feed grains was reduced this year and total production was down 3 percent from 1955. But this was offset by a further increase in carryover. A small reduction in grain consuming animal units is in prospect, as farmers are reducing hog production from last year's high level. The estimated supply per animal unit is slightly above last year's record. With an average rate of feeding per animal, the big supply this year would be sufficient to take care of our total prospective requirements and increase the carryover into 1957-58 by another 10 percent.

With this big carryover of feed grains in prospect for next year, ample feed supplies are likely again in 1957-58, even though some further reduction in feed grain acreage seems probable. Over the next few years, if the general objectives of the Soil Bank program are realized, reduced acreage and production of feed crops would result in a gradual reduction in these big carryover stocks.

The record corn supply for 1956-57 of over 4.5 billion bushels dominates the feed picture. This is 7 percent larger than in 1955-56 and a sixth larger than the 1950-54 average. The 1956 crop of 3,412 million bushels probably will exceed our total 1956-57 requirements by around 250 million

bushels, resulting in a further increase in the carryover of corn from the record of nearly 1.2 billion bushels this year. Supplies of each of the other feed grains are smaller than in 1955-56, oats 16 percent, barley 8 percent and sorghum grain 21 percent. The combined utilization of these grains in 1956-57 and the carryover at the close of the season are both expected to be smaller than in 1955-56.

The total supply of high-protein feeds is expected to be around 5 to 10 percent larger than in 1955-56. A record output of soybean meal is in prospect, which is expected to much more than offset the moderate reduction in cottonseed meal.

Feed grain prices are expected to average higher this winter and into next spring than in the same period of 1955-56, as a result of smaller production and higher supports for oats, barley and sorghum grains. The seasonal advance in corn prices, however, may not be as great from this November to next summer as the 33 percent rise in 1955-56. If the 1957 growing season is favorable, feed prices generally may average a little lower next summer than in the same period of 1956. Corn prices declined sharply this fall with the harvesting of the big 1956 crop. In mid-October the average price received by farmers was \$1.19 per bushel, 26 cents below the seasonal high in August, but 5 cents higher than a year earlier. The national average support price for the 1956 crop is \$1.50 per bushel for cooperating producers in the commercial area, and \$1.25 for non-cooperators. Prices of oats and sorghum grains are substantially higher this fall than last and barley is moderately higher, reflecting smaller supplies and higher price supports. Prices of high-protein feeds are generally lower this fall than a year earlier, and may average lower in 1956-57 as a result of the larger supply. Record soybean meal production is in prospect and soybean meal prices are low in relation to most other protein feeds.

The total hay supply for 1956-57 is only slightly smaller than the big supply last year and is near average per animal unit. Supplies are generally ample in most of the area east of the Missouri River and in western States, but in the Western Corn Belt and the Southwest drought materially reduced hay production and growth of pastures, and forage in these areas is short.

A referendum will be conducted on December 11, 1956 to determine whether corn producers in the commercial area favor Soil Bank base acreages totaling 51 million acres or acreage allotments. The national corn acreage allotment would be 37.3 million acres for the commercial corn-producing area. The 1957 allotment includes 54 more counties than the 43.3 million acre allotment in 1956, which was replaced by the corn base acreage provided in the Soil Bank Act. With the Soil Bank base acreage the national average support price for 1957 will be \$1.31 per bushel and under the acreage allotment \$1.36 per bushel. If two-thirds or more of the producers vote in favor of base acreages instead of acreage allotments, no acreage allotments of corn would be established in the future and price supports would be determined by the Secretary.

WHEAT

Carryover stocks of wheat are expected to be reduced slightly at the end of the 1956-57 marketing year for the first time since 1951-52, as a result of increased exports and continuation of acreage restrictions. In 1957-58, the carryover is likely to be reduced considerably more by farmers' participation in the Acreage Reserve Program.

Exports in 1956-57 may total about 415 million bushels, 70 million bushels above last year. The quantity of exports will depend on several factors, including the availability of shipping and the completion of a number of negotiations. The supply of wheat for the 1956-57 marketing year is estimated at about 2 billion bushels, a new all-time record. If exports total 415 million bushels and domestic disappearance continues at about 600 million bushels, the carryover July 1, 1957 would be about a billion bushels, compared with 1,034 million on July 1 this year.

Incomplete returns indicate that wheat farmers placed 10.6 million acres under the 1957 winter wheat Acreage Reserve Program of the Soil Bank through October 26, 1956. Participation totals may be increased materially as unobligated funds are reallocated. In some counties, producers were prepared to sign up more acreage than the preliminary limit of 50 percent of their farm allotments, if funds became available.

The additional sign-up may be sufficient to allow for cancellations and measurement shrinkage and still leave at least 10 million acres of winter wheat under the Acreage Reserve Program. A smaller proportion of the allotted acreage of spring wheat may be signed up if seeding conditions and wheat prices are favorable. This is especially likely if winter wheat prospects are reduced because of drought conditions over wide areas. Assuming that after shrinkage, not more than 3 million acres of spring wheat are taken out of production, a total of about 13 million acres may be placed in the Acreage Reserve. Average yields on the remaining acreage would result in a crop of about 740 million bushels compared with this year's crop of 976 million bushels. Even if wheat for harvest is planted on the best soil and is fertilized more heavily than usual, production would be substantially below the probable level of disappearance, thus reducing carryover stocks in the 1957-58 year.

The minimum national average support price for the 1957 crop was announced on July 2 at \$2.00, the same as the final support rate announced for the 1956 crop. Full support level will be available in the 36 commercial wheat States for producers who comply with their individual farm acreage allotment. Support rates for wheat produced in the 12 noncommercial wheat States are set by law at levels representing 75 percent of the rates calculated on the national average. In the noncommercial States, acreage allotments and marketing quotas will not apply. Production in the 12 non-commercial States in 1955 amounted to 3 million bushels, only about one-third of one percent of the total United States production.

RICE

Prospects for greatly increased exports are expected to reduce materially the very large carryover of rice by August 1, 1957. The carryover at the beginning of the marketing year on August 1, 1956 was estimated at about 34.6 million cwt. Two years earlier it had been only 7.5 million cwt. The increase reflects two of the largest rice crops in our history.

The carryover on August 1 this year together with the crop (including minor States) estimated as of November 1 at 46.3 million cwt., and imports of about 0.3 million results in total supplies of about 81.2 million cwt. This tops the previous record supply of 80.5 million cwt. in 1955-56. Of the total carryover, about 24.7 million cwt. was owned by the CCC. Domestic disappearance is expected to total about 25.7 million cwt., well below the 28.3 million in 1955-56 reflecting a smaller amount ground and sold as feed, a measure undertaken to reduce the large supplies. But it will be above the 1950-54 average of 25.7 million cwt.

The greatly increased U. S. rice exports now in prospect are possible because of a material change in the world rice situation. Surpluses that accumulated in 1953-54 and 1954-55 throughout exporting countries have now largely been disposed of. This disposition by foreign exporting countries was accomplished by reducing high maintained postwar prices to the level at which it was possible to sell the accumulated stocks of rice. Through a combination of various programs, practically all of the rice owned by the CCC has now been committed for export and domestic use. The quantity of rice which will actually be loaded for export in 1956-57 will depend upon the availability of ships. Exports in the neighborhood of 38 million cwt. appear possible if shipping difficulties are not extreme. On this basis, the carryover on August 1, 1957 could be reduced to about 17 million cwt.

Under provisions of existing legislation and with the large supplies still available, acreage allotments and marketing quotas will need to be proclaimed for the 1957 crop. The national acreage allotment was set by law at the 1956 level of 1,653,000 acres. Assuming that between 200 thousand and 250 thousand acres are placed under the Acreage Reserve program of the Soil Bank, and allowing for underplanting outside the Soil Bank goal, about 1,425,000 may be planted. If yields average 29.0 cwt. per acre, compared with 28.6 cwt. in 1956, this acreage would produce a crop of about 41 million cwt. This compares with 46.3 million in 1956 and the record crop of 64.2 in 1954. A crop of 41 million cwt. would be small enough to permit the export of any CCC rice sold for export but not shipped in 1956-57 and also probably some further reduction in the carryover.

RYE

The rye supply for 1956-57 totals 42.1 million bushels. This includes carryover stocks of 16.7 million bushels, estimated production of 22.0 million and imports of 3.4 million (restricted by quota). This supply compares with 49.5 million last year and the 1950-54 average of 34.1 million bushels.

Domestic disappearance of rye in 1956-57 may total about 23 million bushels compared with 25.8 million in 1955-56. It is assumed that with the reduced crop and higher prices less will be fed. The use of rye for food, alcohol and spirits, and seed is not expected to be much different in 1956-57 than the year earlier. Rye exports were 3.67 million bushels in the July-September period and may reach 10 million bushels for the year as a whole. As a result, the carryover July 1, 1957 may be about 9 million bushels, a reduction of about 7 million from the 16.7 million on July 1, 1956, and the smallest since the 6.3 million July 1, 1953. In 1950-54 the carryover averaged 7.9 million bushels.

The 1956 rye crop is being supported at an average of \$1.27 per bushel, compared with \$1.18 for the 1955 crop. With prices well below the support level, farmers placed a record 12.8 million bushels under price support last year, nearly all of which was delivered to CCC. The quantity under support from the 1954 crop totaled 7.3 million bushels. With relatively higher prices this year than last year, less rye is being placed under the support program. On October 15, farmers had placed 1.5 million bushels of 1956-crop rye under the support programs compared with 6.4 million bushels of 1955-crop rye a year earlier.

FRUIT

With consumer income expected to continue high, consumer demand for fruit in 1957 probably will be at least as strong as in 1956. Export demand is likely to continue into 1957 at the increased 1956 level and may increase further during 1957. With average weather the 1957 deciduous crop probably will not be greatly different from the 1956 crop, but production of oranges and grapefruit in 1957-58 probably will increase.

Increased exports of many items of fresh and processed fruits seem likely in the 1956-57 season, especially to western European countries. This includes fresh grapes, dried fruits, tree nuts, canned fruits, and some citrus items to western Germany, Denmark, and Norway, which recently have taken steps to liberalize imports. It also includes fresh apples, pears, grapes, dried fruits, and canned deciduous fruits and grapefruit segments to the United Kingdom, which has made provision for such imports. Increased exports of U. S. winter oranges to Europe are expected in 1956-57 as a result of a prospective short crop in Spain following the freeze damage to trees in February 1956. However, exports of U. S. summer oranges may encounter greater competition from oranges from Southern Hemisphere countries as a result of increased plantings in recent years.

With market supplies of fruit this fall generally lighter than a year earlier, the level of prices to growers probably will continue above a year earlier. In late winter and spring, the level of prices may be no higher than the relatively high level of this period of 1956. Supplies of winter pears and Florida Valencia oranges are expected to be larger, and those of apples and grapefruit smaller, than in the winter and spring of 1956.

The 1956-57 crop of early and midseason oranges, harvest of which is now well under way, is expected to be about 4 percent larger than the 1955-56 crop. Most of the increase is in Florida, where heavy postwar plantings are now bearing oranges. Early-season indications point to some increase in Florida Valencia oranges, which will start to market in late winter. Prospects for California Valencias are less favorable than a year ago. Production of grapefruit in 1956-57 is currently indicated to be about 3 percent smaller than the 1955-56 crop. Increased use of oranges for frozen concentrate, and decreased use of grapefruit for canned juice, seem likely this season. Because of substantial improvements in export prospects for citrus fruits, the U. S. Department of Agriculture will not make export payments on the 1956-57 crop of oranges and grapefruit.

Production of deciduous fruits in 1956 was nearly as large as in 1955, and little change in total output in 1957 seems probable. However, with average weather, larger crops of apples, apricots, and cherries may be expected. At the same time, smaller crops of peaches, pears, and prunes seem likely. Total production of tree nuts in 1957 may not be up to the large 1956 tonnage. With decreases in filberts and walnuts more than offset by increases in almonds and pecans, total production in 1956 was about 5 percent larger than in 1955.

Current indications are that the 1956 packs of canned fruits and frozen deciduous fruits and berries will not be greatly different from the respective 1955 packs. The new pack of dried fruits is a little larger than the 1955 pack. Most of the increase consists of dried prunes. Output of frozen orange concentrate in Florida set a new record in 1955-56, and a small increase seems likely in 1956-57. But output of canned citrus juices probably will be smaller. Stocks of both canned and frozen orange juice are somewhat larger this fall than a year earlier.

Over the next two decades or longer, total production of deciduous fruits probably will trend slightly upward, though in the next few years output may not change much from the level of the recent past. Total production of citrus is expected to trend upward for a number of years, with most of the increase in oranges. A rising output trend also is probable for tree nuts. During the past decade, utilization of fruit for processing has trended upward while fresh use has declined. These trends probably will continue over the next few years. With increasing population, total demand for fruit will increase.

COMMERCIAL VEGETABLES

For Fresh Market

Disposable income is expected to remain high during 1957 and demand for vegetables is expected to continue strong. Prices received by farmers for vegetables in 1957 compared with 1956 will depend largely on the quantity produced and marketed.

Supplies of fresh vegetables in the first 5 months of 1956 were slightly larger than a year earlier and prices received by farmers averaged near year-earlier levels. In late spring-early summer supplies were curtailed somewhat by adverse weather, which delayed harvest, and prices moved up sharply. The harvest from the late summer crop and overlap from the earlier delayed crops, and the prospect of larger fall supplies combined to push the market down below the levels of a year earlier. Indications are that most fresh vegetables will continue in more plentiful supply this fall than last. Production of fall cabbage, an item in tight supply last fall, promises to be much larger than a year earlier. In late fall, fresh market supplies of broccoli, Brussels sprouts, cauliflower, cucumbers, and spinach are expected to be larger than a year ago, while supplies of snap beans, egg plant, peas, tomatoes, sweet corn, and green peppers are expected to be smaller. With larger aggregate supplies of fresh vegetables, prices received by growers may average a little lower than in the final weeks of 1955. However, prices of some important vegetables, including tomatoes and lettuce, are likely to average as high or higher than a year earlier. Dry onions are in moderately larger supply than a year ago, and prices during the fall are likely to remain relatively low.

During the postwar period per capita consumption of fresh vegetables (excluding melons) has trended downward. Some further slight decline in consumption per person may occur in the next few years. But with the anticipated growth in population, total market requirements for fresh vegetables 4 to 6 years from now are expected to be at least moderately larger than the 1953-55 level of production.

For Processing

Supplies of processed vegetables available for distribution into mid-1957 are substantially larger than those of a year earlier. Carryover of canned vegetables into the current marketing year were smaller than last season, but indications are that the pack was materially larger. Among the major canned items, biggest increases over a year earlier appear to be in prospect for sweet corn and tomato juice both of which were in tight supply last season. More moderate increases over last year are expected for snap beans, green peas, tomatoes and most tomato products. Both the carryover and indicated pack of frozen vegetables are substantially larger than last year.

Demand for canned and frozen vegetables is expected to continue strong through the first half of 1957. Generally higher material and wage costs mean higher unit cost to processors for this year's pack. It seems unlikely that packers will be able to pass along all of the increase in costs. Distribution costs are also up. But with larger supplies available, retail prices of processed vegetables during the current marketing season, particularly for some of the major canned items, are expected to average a little lower than a year earlier.

Consumption of processed vegetables per person rose rapidly during and immediately following World War II. But in the last 5 years per capita consumption has increased much more slowly. During the next 4 to 6 years total

requirements for processed vegetables are likely to rise at a slightly faster rate than population, with requirements rising more rapidly for frozen than for canned.

POTATOES AND SWEETPOTATOES

Fall production is substantially above last year and considerably in excess of normal market requirements. These large supplies have exerted heavy pressure on market prices. The average price received by farmers on October 15 was \$1.34 per hundredweight, 32 cents below the mid-September price but 24 cents above the very low levels of a year earlier. In late September the Department of Agriculture announced a diversion program to assist the industry in disposing of the large supplies. In areas which develop a satisfactory marketing program, supplementary payments will be made for potatoes of U. S. No. 2 or better quality diverted to starch feed or flour, provided such potatoes meet minimum diameter or weight requirements. As of November 10, the program was in operation in Maine, Colorado, Idaho, Oregon, Northern California and Washington, and 1.9 million hundredweight of potatoes had been diverted. Of these, about three-fourths were eligible for supplementary payments. Plans have been approved for programs in three additional States-- North Dakota, Minnesota, and New York (Long Island). It appears that growers can contribute best to overall market conditions by making full use of the program and by orderly shipments into regular market channels throughout the marketing season.

No production estimate is available for winter potatoes. Early intentions reports indicated that growers in Florida and California plan to plant about one-third more acres for winter harvest this year than last. Although the winter crop is small compared with winter consumption, a heavy crop would tend to weigh on a market already supplied with large stocks of old crop potatoes.

With the introduction of new processing items, improvements in technology and stepped-up merchandising, prospects appear good for maintaining potato consumption rates during the next 4 to 6 years. But potatoes have been in oversupply in recent years and no increase over the 1953-55 level of production would be required to meet expected requirement.

Demand for sweetpotatoes is expected to be about the same in the current season as in the 1955-56 season. Supplies, however, are about a fifth smaller than last year and prices are expected to remain well above the low levels of a year earlier.

Per capita consumption of sweetpotatoes has declined sharply in the postwar years. A further but less rapid decline is expected to occur. However, with the increasing population, total requirements 4 to 6 years from now probably will be about as large as the 1953-55 level of production.

DRY BEANS AND PEAS

The supplies of dry edible beans is a little smaller this season than last. In general the more important colored classes are in smaller supply while white classes are in larger supply. The domestic consumption is expected to be as large or a little larger than last year, but exports probably will be smaller. Prices compared with a year earlier will vary by classes, with pintos and limas likely to be higher and pea and red kidney beans likely to be lower. In the aggregate, however, prices are expected to average about the same as a year earlier.

Per capita consumption of dry edible beans has shown no definite trend in the postwar period. During the next 4 to 6 years, total requirements are expected to increase at roughly the same rate as population. But dry beans have been in surplus supply in most recent years, and little or no increase in production would be needed to meet anticipated requirements.

Supplies of dry field peas are much larger than the small supplies available last year and are substantially above average. However, domestic consumption is expected to be larger than last season when supplies were tight. Also, exports are expected to be much heavier than last year, as the pea crop in Europe has been sharply reduced by adverse weather. Export demand is expected to take most of the pressure of heavy supplies off domestic markets and help to hold prices at favorable levels.

In the last few years consumption of dry peas has been relatively stable at about half a pound per person. This rate is expected to continue during the next 4 to 6 years.

COTTON

For the first time since the 1950-51 marketing year disappearance of cotton in the U. S. in 1956-57 will exceed production. Disappearance in the current season also will exceed the 11.4 million bale total of the preceding season by a large amount.

The increase in disappearance during 1956-57 is being caused by much larger exports. Exports probably will be much more than double the 2.2 million bales of 1955-56. The increase is being caused primarily by the very small carryover in the foreign free world on August 1, 1956, and the export price, about 6.5 cents below the 1956 support level. CCC had sold about 5.2 million bales of cotton under its 1956-57 export program as of October 30. The prices for which CCC sold cotton for export generally were competitive with foreign spot market prices for comparable qualities of foreign grown cotton. Foreign free world production of cotton in 1956-57 is estimated by the Foreign Agricultural Service at about 16.2 million bales, compared with about 16.1 million bales in 1955-56. Funds made available under various U. S. Government programs to finance cotton exports in 1956-57 total about 412 million dollars. If completely used, these funds would finance the export of about 2.8 million bales, compared with about 1.6 million bales financed in 1955-56.

Domestic mill consumption of cotton is expected to be somewhat smaller in 1956-57 than in 1955-56. The average daily rate of mill consumption in August and September was about 5 percent below that of a year earlier. Relatively high prices for cotton from February to July 1956 and increasing mill stocks of cotton broadwoven goods in relation to unfilled orders from February through August are two important reasons for the reduction in mill consumption. Some increase in the rate of mill consumption of cotton may occur late in the current season as a result of the decline in cotton prices which started in August because of a lower support level, continued high level consumer income, and smaller manmade fiber consumption.

The consumption of cotton per capita in 1956 is estimated to be between 25.5 and 26 pounds. This compares with 26.5 pounds in 1955 and 25.4 pounds in 1954. The consumption of manmade fibers per capita in 1956 is estimated to be about a pound less than the 11.2 pounds of 1955. The consumption of rayon and acetate in 1956 is about $1\frac{1}{2}$ pounds per person less than in 1955, but the consumption of other manmade fibers is estimated to be up $\frac{1}{4}$ to $\frac{1}{2}$ pound.

The supply of cotton in the U. S. for the 1956-57 season is estimated at a record of about 27.6 million bales, compared with the previous record of 26 million in 1955-56. The 1956-57 supply includes estimated production of about 13 million running bales (13.2 million 500 pound bales), estimated imports of 0.1 million, and a starting carryover of about 14.5 million bales. The carryover on August 1, 1957 probably will be smaller than that of 1956.

CCC held stocks (owned and held as collateral against outstanding loans and excluding cotton sold for export) were about 9.9 million bales on August 1. On November 2 these stocks were about 9.5 million bales. A year earlier CCC held stocks were about 10 million bales.

The national acreage allotment for the 1957 crop of upland cotton is 17,585,463 acres, 194,159 acres larger than the 1956 allotment. The national acreage allotment for the 1957 crop of extra-long staple cotton is 89,357 acres, 44,052 acres larger than the 1956 allotment.

The larger allotment for extra-long staple cotton was caused by a smaller supply and larger disappearance than in 1955-56. The smaller supply is being caused primarily by a smaller starting carryover, down about 47,000 bales on August 1, 1956 from a year earlier and an estimated decrease in imports. The increase in disappearance is being caused principally by an estimated increase in exports.

WOOL

Gross income to farmers from the sheep enterprise in 1956, including Government payments on 1955 marketings of lambs and wool, is likely to be the highest of the last several years. Although growers' cash returns from the sale of wool on the open market this season are expected to be below 1955, Government payments to producers this year on 1955 marketings should much

more than offset reductions. In the absence of any substantial weakening of world demand, wool prices are likely to continue above levels prevailing early this season well into next year, with growers' prices probably averaging a little higher in 1957 than in 1956. In this event, the Government incentive payment on 1957 wool would be less than on this year's clip.

A larger world supply of wool than in 1955-56 is in prospect for the 1956-57 season. Production is expected to be up somewhat, but stocks may be a little lower. The prospective production increase for 1956-57, estimated at about 4 percent above the previous season, would be the ninth in succession. Even with this increase, industry plans a further expansion in capacity for producing manmade fiber.

No great change in production of wool in the United States is in prospect next year. Sheep and lamb slaughter relative to inventories so far this year suggests little change in the number of stock sheep on farms and ranches. The August estimate of shorn wool production this year is about 1 percent below last year. Some increase in wool production may occur during the next few years.

World consumption of wool during the first half of this year is estimated by the Commonwealth Economic Committee to have been about 9 percent above 1955. The increase this year is the second in succession. For those countries for which information is available, France, Japan, and the United States accounted for most of the increase relative to last year. Mill consumption in the United Kingdom was a little lower during the first half of this year than in the corresponding period last year. Although the world wool textile industry also consumed more fiber other than wool, the increase was a little less than for wool.

Domestic mills have been using more of both apparel and carpet wool this year than last year. The increases this year are the second in succession. Use of apparel wool had declined 56 percent between 1946 and 1954. Use of apparel wool through September of this year was 8 percent above that of the same months of last year. Use of carpet wool during the same period was up 14 percent. The increase in the use of carpet wool was made possible by larger imports early in the year. Imports of apparel wool have been about the same as last year. With CCC sales larger than last year, more domestic wool is moving into consumption channels this year. Trade stocks also probably have been reduced.

Historically, changes in domestic use of apparel wool at the mill level have reflected changes in inventories of manufactures in manufacturing and distribution channels and in consumer spending patterns as well as in consumer purchasing power and prices. If business activity and consumer purchasing power continue to rise during the next few years, some further recovery from the 1954 low, with year-to-year fluctuations, may be expected.

Under the incentive payments program which went into effect with the 1955 marketing season, domestic producers have been selling their wool in the open market at prices reflecting world supply and demand conditions. Mid-month averages of prices received by growers for shorn wool so far this season suggest that if, as trade reports indicate, the bulk of the clip was sold during the early part of the season, the 1956 average is likely to be a little lower than the 42.8 cents per pound, grease basis, for the 1955 season.

At the time of the opening of the current domestic marketing season around April 1, prices of wool generally were below a year earlier. However, with a strengthening of world demand relative to available supplies, prices generally began to advance. As of early November, prices of most merino wools abroad ranged from 10 to 20 percent above those of both late March 1956 and early November 1955. The net increases for crossbred wools were a little smaller. Boston quotations for domestic description have advanced substantially since late last March but most of the rise took place after mid-July.

TOBACCO

The number of cigarettes consumed in the year ahead is expected to continue to increase gradually, but the prospects that more leaf will be used in cigarette manufacture are not promising. Available data indicate that manufactures are producing more cigarettes per pound than formerly, probably because some filter tip brands take less tobacco per cigarette than nonfilter tip brands and more complete use is being made of tobacco leaves including midribs or stems as, for example, in "processed tobacco sheet".

The number of cigars consumed in the year ahead also is expected to show an additional increase. However, the use of manufactured binder tobacco is expanding and will lower requirements for natural leaf binder types grown mainly in the Connecticut Valley and Wisconsin.

The consumption of tobacco in pipe and "roll-your-own" mixtures and in chewing products is likely to continue downward. Little change is expected in snuff consumption, which tends to remain relatively stable from year to year.

The 1956 output of cigarettes is estimated at 425 billion -- 3 percent higher than in 1955 and second only to the record 435 1/2 billion in 1952. Domestic consumption at about 395 billion is expected to be about the same as the 1952 peak but shipments for overseas and commercial exports probably will be 10 billion lower than in 1952.

Cigar consumption in the United States and by overseas forces during 1956 is expected to be at least 6.3 billion -- 3 or 4 percent above 1955 and the highest since the late 1920's.

The 1956 outputs of smoking and chewing tobaccos are estimated at 73 and 77 million pounds, respectively -- 9 and 3 percent lower than in 1955. Probable output of snuff at 38 1/2 million pounds will be about 2 percent less than last year.

Exports of unmanufactured tobacco in the 1955-56 marketing year totaled about 645 million pounds (farm-sales weight) -- the largest since 1946-47. Exports of tobacco during 1956-57 may be 10-15 percent below the high 1955-56 level. Quantities shipped under Public Law 480 programs are expected to total less than the substantial amount in 1955-56. Another factor is that prices of the traditionally medium-priced grades of tobacco sought by some countries have advanced in the last year or two because of greater demand for these grades for domestic use. Larger than usual shipments to some countries in 1955-56 were to build up stocks.

Supplies of most kinds of tobacco are very large in relation to prospective disappearances. The 1956-57 total supply of flue-cured is a record 3.6 billion pounds -- nearly 3.0 times prospective yearly disappearance. For the 5 years prior to 1955-56, this ratio was 2.5. The great bulk of the 1956 crop, which was about 7 percent smaller than last year's record outturn, has been marketed. Prices averaged about 52 cents per pound -- slightly less than last season. About one-fifth of market deliveries was placed under Government loan.

Auction markets for Burley, Virginia fire-cured and sun-cured, and for the dark air-cured types usually begin in late November or December and for Kentucky-Tennessee fire-cured, early in January.

The 1956-57 total supply of Burley at near 1.8 billion pounds is a little less than for each of the last 2 years but still amounts to about 3.5 times prospective yearly disappearance. This is well above the ratio for most years prior to 1953-54.

The 1956-57 supply of Maryland tobacco is estimated at 5 percent above the 1955-56 level and the largest in history. When the 1956 crop is marketed next spring and summer, Government price supports will be operative for the first time since the 1953 crop.

The 1956-57 total supplies of fire-cured are a little above last year's and for dark air-cured (including sun-cured), are the largest for many years. Total supplies for these tobaccos are very heavy -- for fire-cured, close to 3 1/4 times and for dark air-cured, about 4 times as much as yearly disappearance.

The 1956-57 total supply of continental cigar filler is a little lower than in recent years, mainly because increased domestic use in the past year reduced carryover.

The 1956-57 total supply of the cigar binder types is the smallest on record. This year's crop was sharply reduced due to allotment cuts and participation in the Soil Bank program. Growers of the cigar binder types are feeling the impact of manufactured binder, which is cutting down the quantity of natural leaf binder needed by manufacturers.

Total supplies of the shade-grown cigar wrapper types are a little lower than for 1955-56.

The application of marketing quotas to the 1957 crops was approved in previous referendums by growers of flue-cured, Burley, Maryland, fire-cured, dark air-cured, and sun-cured tobaccos. The growers of cigar filler and binder (types 42-44 and 51-55) will vote in a referendum to be held before next planting season on whether they favor marketing quotas on their next 3 crops or are against quotas.

Government price supports for the kinds of tobacco under marketing quotas are set at 90 per cent of parity except for fire-cured, dark air-cured, and sun-cured. Price supports for fire-cured are set at 75 percent and for dark air- and sun-cured, at 66 2/3 percent of the Burley loan level.

Long-Term Outlook

In attempting to assess the economic position of tobacco 4 or 5 years hence, it must be recognized that output or consumption, as measured by number of cigarettes or cigars, probably will not bear as close correspondence to the use of leaf tobacco as for many years in the past. Changing technology in tobacco utilization and variation in final-product consumption trends have made numerical output a much less reliable guide to leaf use than formerly.

The number of cigarettes produced (and largely consumed domestically) by 1960 may be 450 to 460 billion -- 6 to 8 percent greater than in 1956. However, if manufacturers generally achieve fairly satisfactory results in using midribs of leaves (stems) in either manufactured sheet or other processed form along with natural leaf strips in cigarettes, then their purchases of leaf from farmers will not need to increase as much proportionately as cigarette output. Depending upon whether and how rapidly this recent development extends throughout the industry and in view of the present large supplies of leaf, it is conceivable that the prospective increases in cigarette consumption in the next few years may not necessitate any increase in tobacco production. However, looking toward 1975, cigarette consumption could increase by around 50 percent and this would mean a significant increase in leaf production.

The number of cigars produced (and nearly all consumed domestically) by 1960 may be 6 2/3 to 7 billion or 6 to 11 percent higher than in 1956. If the average weight of all cigars and cigarillos combined tends to decline, this will lessen the tobacco requirement per unit of output. Also, the development

of reconstituted tobacco or "homogenized binder" is enabling manufacturers to make more cigars with a substantially reduced quantity of binder leaf. By 1975, the number of cigars and cigarillos may be 40 to 50 percent greater than in 1956.

During the last several years of high income and employment the output and consumption of smoking tobacco for pipes and "roll-your-own cigarettes" have fallen off rather steadily and recently, quite sharply. A further drop of about 10 percent may occur by 1960, but it is possible that a plateau may be reached and the use of tobacco for pipe smoking may become more stable.

The output and consumption of chewing tobacco have decreased steadily for many years except during the war. By 1960, there may be a decline of 10 percent below the current level and thereafter, a further gradual decrease. Circumstances of employment, modern day living habits, and attitudes all seem to militate against chewing as a form of tobacco consumption. The use of snuff has been much more stable than chewing and it seems likely that by 1960, the annual use of snuff will be near the recent level or perhaps down only a little.

On the average, export markets have absorbed about one-fourth of the tobacco produced in this country since the war. In general, tobacco consumption abroad can be expected to increase as population grows and if economic conditions continue to improve. The United States produces tobacco that is preferred in many overseas countries. However, production has been expanded in a number of foreign areas. In several foreign countries, greater quantities are being produced for sale in export markets and are offering increasing competition to tobacco grown here. It seems reasonable to expect that for the next 4 or 5 years, tobacco exports from this country will be maintained at least at around 540 million pounds (farm-sales weight) -- the 1952-56 annual average -- but whether they will expand proportionately with consumption abroad is uncertain. In many countries, governments intervene in one way or another with measures that affect directly or indirectly the imports and exports of tobacco.

NAVAL STORES

Prices for rosin are expected to stay close to present levels through the remainder of 1956 and well into 1957. However, any prolonged interruption of shipping through the Suez Canal may curtail and increase the cost of rosin shipments from China and exert upward pressure on prices. Turpentine prices are likely to rise before the advent of the new gum crop next April 1. Through October of this crop year, rosin prices have averaged 1 percent and turpentine 2 percent less than a year ago.

Domestic production of rosin and turpentine is expected to increase slightly this year. Increased production of tall oil rosin and sulphate wood turpentine should more than offset lower output of gum and steam distilled wood rosin and turpentine. However, because of lower carry-in stocks on April 1, 1956, as compared with a year earlier, total domestic supplies of

both rosin and turpentine are expected to be about the same. For the future, supplies appear to be ample. Both the gum naval stores and the sulphate pulp industries possess the growth potential to more than offset reduced output of the steam distilled wood naval stores industry which is faced with dwindling supplies of first growth long leaf pine stumps.

Little change is likely in domestic consumption of rosin or turpentine. In general, both domestically and abroad, industrial use of turpentine has been increasing. At the same time, requirements for on-the-job thinning of oil base paints and varnishes have been reduced as a result of inroads made by water based paints. Domestic consumption of rosin is expected to increase this year. The long time trend of rosin use is up, because of steady expansion of requirements for paper sizing, among other reasons.

A 15-20 percent increase in turpentine exports appears likely in view of the 20-25 percent reduction in Western European production. Not much change is expected in 1956 rosin exports. Barring major hostilities or prolonged interruption of shipping, increased exports from China and Mexico, along with liquidation of the British stockpile (accumulated during the Korean War) should largely offset greatly reduced supplies from Western Europe.

The present strong market situation continues the trend which began more than three years ago. Last year, no loans were made on rosin or turpentine and this year, under the 1956 program, no turpentine and only 117 drums of rosin have been pledged. During the past two years, CCC stocks have been drawn on for more than 24,000 barrels of turpentine and 149,000 drums of rosin to fill the gap between requirements and commercially-held supplies. Before the end of the crop year, much of the 33,000 barrels of turpentine and 522,000 drums of rosin remaining in CCC stocks is likely to move into consumption.

FOREST PRODUCTS

Lumber

Lumber consumption during 1956 is expected to total about 40.5 billion board feet. This is about 5 percent below the estimated level of consumption in 1955 but about the same as the average during the last few years.

Lumber production in the United States during 1956 is estimated at about 38 billion board feet, including 30.6 billion board feet of softwoods and 7.4 billion board feet of hardwoods. This is 3 percent less than estimated production in 1955 but slightly above the average level during the last 5 years. The West is expected to produce about half of the lumber cut, the South 35 percent and the North 15 percent.

Imports of lumber during the first half of 1956 have been lower than in the corresponding period in 1955, and for the year may amount to about 3.3 billion board feet. Exports are expected to reach 750 million board feet, or 100 million feet below the 1955 level.

Between January and April 1956 the wholesale price index of lumber increased from 127.6 to 130.6 or about 3 percent above the previous all-time peak of 126.7 reached in March 1951. Since April, prices have weakened, dropping to 125.8 in September 1956.

Pulpwood

Total pulpwood consumption, including the equivalent pulpwood content of pulp and paper imports, is expected to amount to an estimated 45.5 million cords in 1956. This will be a new peak in pulpwood consumption and marks the continuation of a period of extremely rapid growth in the pulp and paper industry.

During the first half of 1956 domestic pulpwood production was 17 percent above the corresponding period in 1955 as a result of an exceptionally high level of demand for paper and board. For the year production is expected to amount to an estimated 35 million cords--13 percent more than production in 1955 and 106 percent more than production in 1946.

The South is expected to account for about 60 percent of total domestic pulpwood production, the North 22 percent and the West the remaining 18 percent. Southern pine is expected to account for about 52 percent of total domestic pulpwood production, other softwoods 31 percent and hardwoods 17 percent.

Imports of pulpwood during 1956 are estimated at 1.8 million cords or about the same as in 1955. The equivalent of about 9 million cords net is expected to be imported in the form of wood pulp, paper, and board.

Pulpwood prices have increased slightly in 1956. In the Southeast, for example, the average delivered price of rough pine pulpwood increased from about \$14.15 per cord in 1955 to \$15.25 in September 1956. Similar increases were noted for most pulpwood species in the Lake States and the Northeast.

Veneer Logs

Consumption of hardwood veneer logs since 1951 has amounted to about 1 billion board feet per year, a level of consumption that is expected to be maintained during 1956. Consumption of softwood veneer logs, practically all of which are processed on the West Coast, has increased from 1.2 billion board feet in 1951 to an estimated 2.6 billion board feet in 1956. Most of this increase is attributed to the expanding use of softwood plywood in construction.

Other Timber Products

Consumption of miscellaneous industrial wood products such as poles and piling, posts, mine timbers, and a variety of other minor timber products in 1952 amounted to about 700 million cubic feet or roughly 36 percent of the volume of wood used for pulpwood. Since then little change has occurred in local markets for these products.

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Christmas Trees

Consumption of Christmas trees during 1956 is expected to amount to about 39 million trees including about 27 million trees produced from domestic forests and 12 million trees imported from Canada. Prices of standing Christmas trees vary considerably throughout the United States. In the North, for example, where numerous Christmas tree plantations have been established, producers have received prices ranging up to \$2.00 per tree for 6 foot trees with good form and of select species. In the West and South where wild trees are cut, prices are lower.

